FINANCIAL TIMES

World Business Newspaper http://www.FT.com TUESDAY SEPTEMBER 24 1996

Italy and Emu
Is a miracle in the making?
Martin Wolf, Page 12

Hong Kong
Rival ports close in
Page 5

Cyber-shopping
Intelligent agents squeeze retailers
Page 21

Pakistan
More than a family tragedy
Page 6

10 tonnes of IRA explosives seized in London raids

Attacks on British cities by IRA terrorists from Northern Ireland using huge lorry bombs could have been only hours away, police said after raids in London in which 10 tonnes of home-made explosives were seized and an IRA terrorist suspect was killed. The explosives, some packed in boxes and nearly ready for use, were close to 10 times the amount used in the device which devastated Manchester city centre in June. Page 14; End to lull intended, Page 9

UK accused of abandoning beef deal: The British government was accused of blocking European Union efforts to restore confidence in the beef market by abandoning a deal to cull an extra 125,000 cattle in an attempt to eradicate mad cow disease. Page 14

First-half fall for Peugeot Citroën: French car group PSA Peugeot Citroe"n reported a fall of more than 50 per cent in first-half net income to FFr602m ($118.7m), but was optimistic about second-half prospects. Page 15

French market to modify rules: The French stock market is to modify the rules governing its "nouveau marche" for fast-growing companies. The move is a reaction to intensifying competition from rival European stock markets. Page 15

Congress party picks Rao's successor: India's Congress party elected veteran leader Sitaram Kesri as its provisional president. He replaces former prime minister P.V. Narasimha Rao, who resigned after a court summons in a criminal conspiracy case.

Murdoch's son to run Australian arm: News Ltd, Australian arm of Rupert Murdoch's News Corporation, has appointed Lachlan Murdoch, 24, the media proprietor's son, as managing director. Page 15

US oil specialists to merge: US regional oil refining and retailing specialists Diamond Shamrock and Ultramar are to merge in a move that will link their four refineries and networks of more than 4,000 petrol and convenience store outlets. Page 15

Qatar to pursue ex-emir: The emir of Qatar is to press ahead with worldwide legal actions to recover $3.5bn of state funds allegedly stolen by his father whom he deposed as leader last year, the Qatar justice ministry said. Page 8

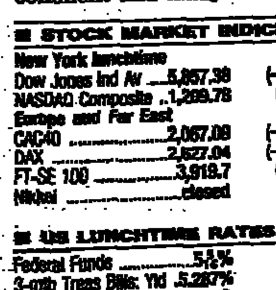
Profits warning from Beresford: Shares in Berisford lost almost a third of their value as the kitchens and joinery group warned that UK industrial action and problems in the US would hit profits. Page 15; Lex, Page 20

China's savings growth slows: China's banks were alerted to a sharp fall in the growth of individual savings deposits as Shanghai authorities said tens of billions of yuan had been diverted into the stock market. Page 6

Daewoo in clutch deal with UK group: South Korean industrial and motors group Daewoo is to make automatic clutches for cars under a licensing agreement with UK-based AP Kongsberg Holdings. The deal is expected to be worth $200m over 10 years. Page 4

Tokyo aerospace bid may fail: Japanese industry officials admitted attempts to create an indigenous world-class aircraft industry may fail. Page 4

Road films actress Dorothy Lamour dies



Dorothy Lamour (left), best-known for her role as the sultry, romantic companion of Bob Hope and Bing Crosby in a string of *Road films* from 1940 to 1962, died in Hollywood aged 81. Among her more serious films were the 1940 crime melodrama *Johnny Apollo* and the 1945 film *A Medal for Benny*. She played a sloppily dressed housewife who gets murdered in the 1987 film *Creepshow 2*.

Prize for Rushdie: UK author Salman Rushdie was awarded the European Union's Aristeion literary prize for his latest novel, *The Moor's Last Sigh*. Mr Rushdie, threatened with death by Iran for an earlier book, shares the Ecu20,000 ($25,400) prize with Christoph Ransmayr from Austria.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,857.30	(-31.05)
NASDAQ Composite	1,209.75	(-9.91)
Europe and Far East		
CAC40	2,067.08	(-12.37)
DAX	2,527.94	(-19.06)
FT-SE 100	3,919.7	(-44.4)
Nikkei	closed	

US LUNCHTIME RATES

Federal Funds	5 5/16%	
3-mth Treas Bills: Yld	5.287%	
Long Bond	98	
Yield	7.052%	

OTHER RATES

UK: 3-mo Interbank	5 3/4%	(5 3/4%)
UK: 10 yr Gilt	97	(98)
France: 10 yr OAT	102.06	(102.32)
Germany: 10 yr Bund	100.28	(100.69)
Japan: 10 yr JGB	closed	

NORTH SEA OIL (Argus)

Brent Dated	$22.07	(21.775)

GOLD

New York Comex (Dec)	$384.4	(383.9)
London: close	$381.45	(381.5)

DOLLAR

New York lunchtime		
£	1.55625	
DM	1.51225	
FFr	5.122	
SFr	1.23375	
Y	109.9	
London:		
£	1.5569	(1.5551)
DM	1.5134	(1.5149)
FFr	5.1222	(5.1344)
SFr	1.2249	(1.2399)
Y	109.84	(109.795)
Tokyo closed		

STERLING

DM	2.3562	(2.3558)

Albania	LEK275	Gibraltar	£0.75	Lithuania	Lita 18.00	Qatar	QR13.00
Austria	Sch27	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.200	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	SK75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr23	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr26
Egypt	E£5.00	Italy	L3600	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr28	Japan	Y600	Pakistan	Rs60	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils 750	Portugal	Esc300	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3200			UAE	Dh13.00

Fresh demands to resign
Yeltsin attacked as too ill to govern

By Chrystia Freeland in Moscow

Russian Communists lashed out at their country's ailing president yesterday demanding that Mr Boris Yeltsin resign if he is too ill for heart surgery and accusing him of misleading Russian voters.

The Communists, who many analysts had written off after their defeat in July presidential elections, went back on the offensive following reports over the weekend that Mr Yeltsin might be in too frail a condition to withstand a planned heart bypass operation.

Mr Gennady Selezniev, Communist speaker of the Russian parliament, said that if Mr Yeltsin was unfit for heart surgery then he was also unfit to be president.

Russian debt and equity prices fell sharply, a drop the president's spokesman blamed in part on a report in yesterday's Financial Times that Mr Yeltsin had suffered a stroke and was unable to work for more than 15 minutes a day.

The report was denounced as "absolutely false" by Mr Sergei Yastrzhembsky, the president's press secretary.

He said: "We can only guess why a newspaper with such a high reputation for objective journalism published such a questionable report, absolutely filled with unverified information with reference to anonymous sources which provoked a serious drop in the price of Russian foreign debt in London markets."

The price of dollar-denominated Russian foreign debt traded in London fell sharply in frantic early morning trading, dropping 4 per cent on the day. Share prices fell by up to 7 per cent.

Mr Selezniev said that if surgeons, who are due to meet in Moscow today to assess Mr Yeltsin's condition, decided an operation was too risky, the Kremlin chief should step down. This would trigger fresh elections in three months.

"The situation in Russia is such that the president cannot have a light work schedule," Mr Selezniev said.

Dr Renat Akchurin, the surgeon tipped to operate on Mr Yeltsin, told Russian television that without an operation the president would be forced to lead a very restricted life, a situation the doctor believed Mr Yeltsin himself would not tolerate.

Mr Yeltsin has all but disappeared from public view since late June and has been in a clinic for more than a week. But officially he has not fully relinquished his presidential powers and the Kremlin has insisted that he is continuing to rule the country from his hospital bed.

Much of the detailed information about Mr Yeltsin's health is part of a new Kremlin policy of openness about this once taboo subject, an approach that was inaugurated with the president's

Continued on Page 14
Playing for time, Page 2;
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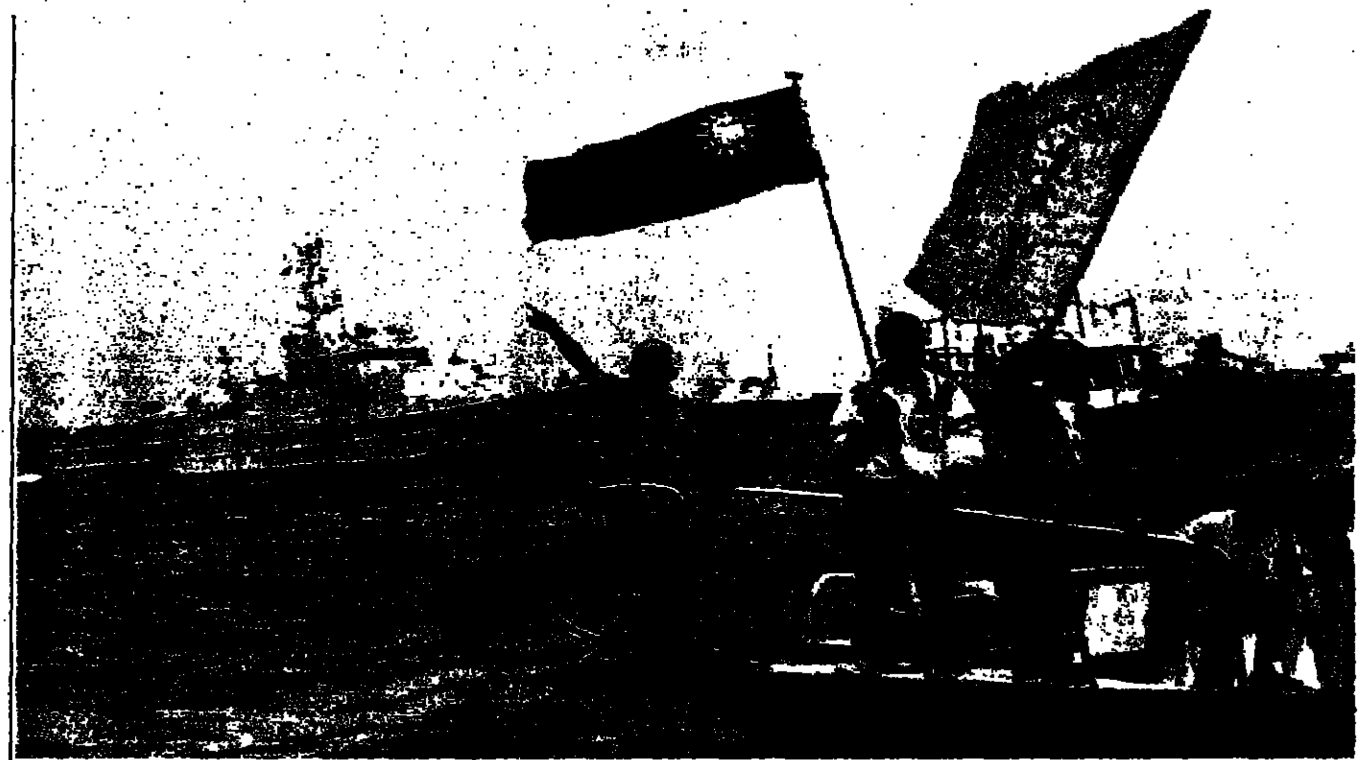


Demonstrators protest yesterday against Japan's claim to a group of islands in the East China Sea. Japan sent coastguard and police vessels to deter intruders from the islands, which are also claimed by China and Taiwan. Report, Page 14 Reuter

Fed decision on US interest rate increase hangs in balance

By Michael Prowse in Washington

Speculation mounted yesterday that the Federal Reserve, the US central bank, would signal a slight increase in interest rates at its policy meeting today.

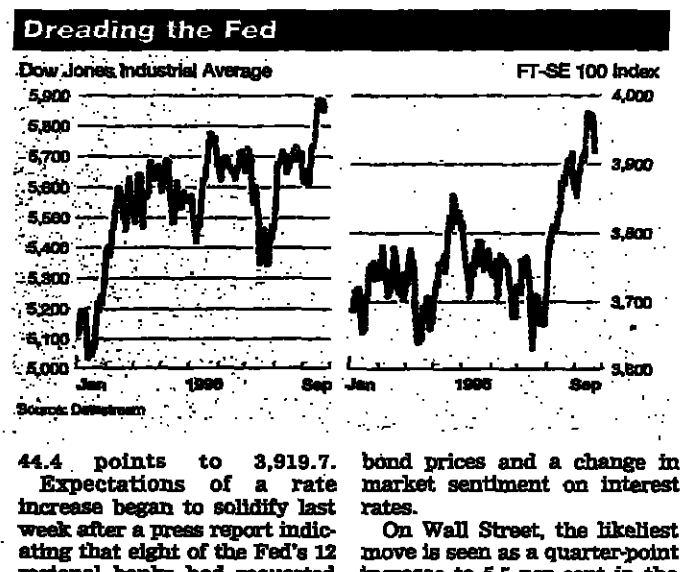
The decision is still seen as finely balanced because most measures of inflation remain subdued, making the need for a tighter policy hard to justify during a presidential election campaign.

But many senior Fed officials are worried that the jobless rate, now 5.1 per cent, has fallen to a point where inflationary pressures in labour markets are bound to intensify if no action is taken.

Financial markets traded nervously yesterday ahead of the decision. By early afternoon the Dow Jones Industrial Average, which had fallen 50 points earlier in the session, was down 32.93 at 5,855.53.

The benchmark 30-year long bond was down ¼ to yield 7.049. European stock markets also lost ground. In London, the FT-SE 100 index dropped 44.4 points to 3,919.7.

Dreading the Fed



Source: Datastream

Expectations of a rate increase began to solidify last week after a press report indicating that eight of the Fed's 12 regional banks had requested an increase in the discount rate, the largely symbolic rate at which the Fed lends to banks.

The Federal Bureau of Investigation has been asked to help identify the source of the report – one of the most serious leaks in recent years – which prompted a fall in bond prices and a change in market sentiment on interest rates.

On Wall Street, the likeliest move is seen as a quarter-point increase to 5.5 per cent in the federal funds rate – the rate at which banks lend to each other.

Three of the regional presidents, however, have requested a half-point increase in the discount rate to 5.5 per cent. That would normally be linked with a half-point increase in the funds rate.

If the Fed raised rates, commercial banks would raise their prime lending rates from the present 8.25 per cent, triggering increases in the cost of consumer loans and home mortgages.

The Fed last adjusted policy on January 31 when it took out recession "insurance" by cutting rates a quarter point. But the economy has since grown more strongly than expected at an annual rate of 3.4 per cent in the first half and by 4.8 per cent in the second quarter.

Some analysts said the Fed would postpone a decision because consumer price inflation was still low. The "core" consumer price index fell to 2.6 per cent last month, the lowest level in 30 years.

The Fed might also want to avoid a politically sensitive rate increase in the closing stages of the presidential election campaign.

Fresh effort needed, Page 8; Casualties of inflation war, Page 13; Bonds, Page 22; London stocks, Page 30; World stocks, Page 34

Austria rejects remaining offer in bank sell-off

By William Hall in Zurich

The five-and-a-half year struggle to complete the privatisation of Creditanstalt, Austria's best known bank, suffered a serious setback yesterday when the government rejected the only outstanding offer for its 70 per cent stake.

EA-Generali, Austro-Italian leader of the bidding consortium, said yesterday that Mr Viktor Klima, Austria's finance minister, had turned down its offer because it had not made a bid for all of the government's 19.98m ordinary shares currently valued at Sch12.6bn ($1.2bn) on the stock market.

The consortium, which includes Banca Commerciale Italiana and Germany's Commerzbank plus a range of Austrian banks and industrial companies, has never publicly disclosed its offer but it is believed to have bid for only half of the government's stake.

The Austrian government has been under increasing pressure to dispose of its holding in Creditanstalt because it needs the cash to meet its budget deficit and because the continuing uncertainty over Creditanstalt's future is harming the bank's business.

Mr Klima asked J.P. Morgan, the US investment bank advising the government, to update the valuation memorandum that it prepared for an abortive international tender offer of the shares in 1995. He also asked J.P. Morgan to come up with a new procedure within a few weeks.

The government's efforts to dispose of its stake have been hampered by political quarrels over the aims of the sale. Many in the government have sought to maximise the cash proceeds by selling its entire stake, but others want the operation to be used to speed up the overdue restructuring of the country's inefficient banking system.

J.P. Morgan valued the government's shares at Sch680 in July 1995 and suggested that this could rise to Sch910 to reflect a premium for control. Yesterday, Creditanstalt ordinary shares closed at Sch634 where they are trading at a near 40 per cent premium to the more marketable preference shares.

A number of foreign investors, including Switzerland's CS Holding and Allianz, the German insurer, have expressed interest but were discouraged by strong domestic lobbying in favour of an "Austrian solution". As a result, the EA-Generali bid, which has been revived on a number of occasions, has always seemed the most likely outcome.

French unions set for autumn offensive

By David Buchan in Paris

French public sector unions yesterday called a one-day strike on October 17, marking the start of autumn hostilities against the government.

The decision came as ministers detailed plans to cut next year's social security deficit by a third; the measures include an increase in the tax on alcoholic drinks, excluding wine.

The seven main unions, representing 4m workers, had agreed in principle to call a strike before the 1997 draft budget was unveiled last week.

Their opposition was exacerbated by the budget decision to cut 5,600 civil service jobs next year, even though the cuts will amount to only 0.3 per cent of the 1.68m government employees and will be achieved by natural wastage.

The unions called a similar one-day public sector strike last October over severe restrictions on 1996 public sector pay that are to be relaxed next year.

But it took subsequent

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Business travellers find route round the rules

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Almost half Europe's business travellers confess to bending the rules of their company's travel policy, even though more than 80 per cent of them also think that the travel policy serves a useful purpose.

More than three-quarters of European companies have travel policies, according to a survey for Visa, the credit card operator, that are aimed at controlling travel costs. For many companies travel costs rank as the third largest expenditure after buildings and salaries.

Typically, a company travel policy specifies that employees use airlines and hotels with which its travel department has negotiated favourable rates. It will also usually stipulate the class of travel and accommodation.

Only a quarter of travellers say they do not agree with the company's travel policy, while 42 per cent go ahead and quietly bend the rules. Those questioned were reticent about detailing the way in which they abuse the system, but most said they did so to gain time or convenience.

National grudges about corporate travel policies vary considerably. German, Spanish, Swedish and British travellers find the financial restraints the most restrictive while French and

Travellers may dream of reading novels but most end up working

Dutch travellers said travelling economy class was unpopular.

One executive complained of having to travel on a middle seat in economy class overnight to New York from London, surrounded by screaming children and having to work the next day. Another said that the designated airline for Moscow served no food or drink.

Almost two-thirds of business travellers are expected to fly economy class and many are compelled to travel in their own time, according to the survey by Marketing Centre, the Bournemouth-based research consultancy, which questioned 1,000 business travellers in nine European countries.

Travel policies are most strictly enforced in British companies and are at their most lax in Turkish and Italian companies.

The survey also showed that although European business travellers dream of spending their travelling time reading novels or simply sleeping, most end up working instead.

An overwhelming majority – 90 per cent – believed relaxation would improve their work performance but 56 per cent said they worked while on the move, mainly to catch up on paperwork.

The perception of hard-working Germans was reinforced by the survey's findings. Half the Germans and Swedes questioned said they preferred to work while travelling. But only 30 per cent of British, Spanish and Turkish travellers would choose to work while travelling.

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Triumphant Greek socialists clear to take moderate pro-Europe path

Pasok lays Papandreou ghost

By Kerin Hope in Athens

The re-election of the Pasok socialists in Greece with a clear parliamentary majority has opened the way for stringent economic reforms and a sustained effort to reduce tension with Turkey over Cyprus and the Aegean sea.

The drachma strengthened on the news of the Panhellenic Socialist Movement's victory in Sunday's election. However, the Athens stock exchange, which rose 0.6 per cent last week in anticipation that Mr Costas Simitis, the prime minister, would achieve a narrow win, yesterday fell by 0.5 per cent, reflecting anxiety about the composition of the new Socialist cabinet.

Ms Miranda Xafa, an economist at Salomon Brothers in London, said: "The question now is not political stability, but consistency in economic policy."

According to almost complete results, Pasok won 41.5 per cent of the vote and 162 seats in the 300-member parliament. The conservative New Democracy captured 38.2 per cent and 108 seats. Three small leftwing parties, including the Democratic Renewal Movement, a Socialist splinter group, shared the remaining 30 seats, while Political Spring, a small centre-right party, was excluded from parliament.

With a four-year term ahead, Mr Simitis has finally laid the ghost of his populist predecessor, the late Andreas Papandreou, and now faces few obstacles to completing Pasok's transformation into a pro-European social democrat party. Moderate socialist candidates triumphed at the polls, leaving only a handful of Pasok hardliners in parliament.

Mr Simitis is today expected to announce a new cabinet, in which several senior posts will be reshuffled to reflect individual ministers' performance in the polls.

Mr George Papandreou, the late premier's son, reinforced his chances of becoming foreign minister by winning more votes than any other candidate in Athens. Analysts said the soft-spoken Mr Papandreou would be "more in tune" with the premier on improving ties with Turkey than the outspoken incumbent, Mr Theodoros Pangalos.

The most delicate task for Mr Simitis is to find jobs for his two defeated rivals for the post of prime minister and Pasok leader. Mr Akis Tsochatzopoulos may replace Mr Gerasimos Arsenis, the other former contender, at the defence ministry.

But banishing Mr Arsenis to an obscure cabinet post would be difficult after he came second in the main Athens constituency. He was mentioned as a possible agriculture minister, an awkward post because of Greek farmers' resentment over declining EU support payments for crops and over being included in the tax net.

The prime minister is not likely to change his economic team, which claims credit for a steady reduction in inflation and the public sector deficit over the past three years. Mr Alex Papadopoulos, the finance minister, made clear before the election that he wanted to change jobs, but he is now under pressure to stay on and complete the 1997 budget, due to be announced on November 30.

Next year's budget, aimed at cutting the deficit by 3.4 percentage points of gross domestic product, will include cuts in public spending amounting to about Dr600bn ($2.5bn). It would be the first time a Greek socialist government has resorted to spending cuts rather than relying on tighter fiscal policies to reduce the deficit.

The package is likely to include a cap on local government spending, a 12-month freeze on public sector recruitment, and compulsory welfare audits.

Mr Jason Stratos, chairman of the Greek industrialists' federation, many of whose members backed Mr Simitis as a guarantee of stable economic policies, said yesterday the government's task "must be to make the economy more competitive, with spending cuts being one of the priorities."

Loser: Miltiades Evert

Humiliated conservative quits

Greece's conservative New Democracy party was in deep disarray yesterday after its leader, Mr Miltiades Evert, resigned in response to a humiliating election defeat. At least five candidates from different factions are expected to contest the leadership, writes Kerin Hope.

The party headquarters, a neoclassical mansion in Rigillis Street, lined with blue-flowering jacaranda trees and home to several generations of Greece's conservative elite, was thronged yesterday with discontented party workers.

One said gloomily: "Unless we can modernise like the Socialists have, we're in danger of becoming just a piece of Greek folklore."

New Democracy has won only one of the seven general elections in the last 15 years. Analysts said that in Sunday's poll it failed to capture young voters, many of whom cast ballots for small parties, including the ex-communist Synaspismos.

Worse still, Greece's brokers, foreign exchange traders and merchant bankers appear to have joined company owners in backing the socialists as more likely to implement capital market reforms and attract investment.

One frontrunner for the party leadership is Mrs Dora Bakoyannis, a former culture minister and the daughter of former prime minister Constantine Mitsotakis, still an influential New Democracy backbencher.

The other is Mr Stefanos Manos, a former economy minister whose efforts to launch privatisation in Greece were undermined by special interest groups and other New Democracy government members.

Playing for time with the Sick Man of Russia

Yeltsin's illness may have dismayed the west but the president's minders are marching to a different beat, writes Chrystia Freeland

From Nato generals to Wall Street brokers, the western world has been shaken by the disturbing new information about the Russian President Boris Yeltsin's heart condition which drips from the Kremlin almost every day.

But, in a sign that Russia is governed by a special set of political rules even after the collapse of communism, reaction has been altogether more muted in the Kremlin leader's homeland.

Consider the revelation that Mr Yeltsin may be so ill that his operation could be delayed for up to two months. It was a political bombshell in the west, but in Russia, according to one of the country's top political strategists, it will have no effect at all.

"It will not change anything," said Mr Vyacheslav Nikonov, one of the political wizards behind Mr Yeltsin's successful bid for re-election.

Grandson of one of Stalin's foreign ministers, Mr Nikonov has Russia's Byzantine political traditions in his blood. In Mr Nikonov's view, reports that Mr Yeltsin could be more frail than his officials initially admitted could actually put a damper on the fierce contest to succeed the ailing leader.

"The battle for power will calm down, because it is unwise to campaign while the president is ill. The public would react badly," Mr Nikonov said.

One explanation for this sanguine reaction is that, while it is a world away from the turgid censorship of the communist era, the Russia media has not yet embraced the sharply inquisitive approach of western journalism.

Instead, rather like the newspapers a generation or two ago in the west, Russia's leading news organisation have been brought into the country's post-communist establishment and are careful to guard the current regime's interest.

As a result, Russian newspapers and television have been subdued in their coverage of Mr Yeltsin's illness, downplaying revelations which hit front pages in the west and seeking to emphasise the president's chances of a full recovery.

But this genteel appearance masks a widespread conviction among many leading analysts that Mr Yeltsin's condition could be much worse than even the latest reports suggest.

Mr Sergei Markov, a professor of political science, is confident that there will be new presidential elections before 2000, when Mr Yeltsin's term runs out.

"I think there will be early elections – Yeltsin is too ill to carry on," Mr Markov believes.

In his view, the Kremlin's new policy of openness about the president's health – hailed in the west as another step in Russia's long march towards democracy – is in fact a skilfully constructed strategy to distract public attention from Mr Yeltsin's prolonged absence from active politics.

"This is the continuation of that whole game which I would call good public relations," Mr Markov argues. "The Kremlin wants to legitimise Boris Nikolaevich's continued absence from the political scene."

The purpose of this elaborate strategy, Mr Markov believes, is to postpone the inevitable elections for as long as possible, thereby giving both the fragile market economy and the new ruling elite time to grow deeper roots before the nation is buffetted by another political battle.

"The goal is to draw out the new elections for as long as possible, to hold them not now, but next summer," Mr Markov explains.

For foreign investors and for western leaders, who had hoped that Mr Yeltsin's re-election this summer would usher in a new era of political stability, early elections would be disquieting.

But, pointing to the stepped up public appearances of Russia's three top presidential pretenders – Mr Victor Chernomyrdin, the premier, Mr Alexander Lebed, the security chief, and Mr Yuri Luzhkov, the mayor of Moscow – Mr Markov argues that the next presidential campaign is already under way in a discreet Russian fashion.

In contrast with worried western investors and governments, whose biggest fear is an ailing Russian president allowing his country to slip into chaos; domestic analysts are inclined to paint a more Machiavellian scenario which is both reassuring and disquieting.

In their opinion, the presidential entourage is painstakingly in control of the situation and, using the most modern weapons of the information age, is teaching Russia and the west to accept the reign of a practically invalid president.

Only the continued drip drip of news from the Kremlin – in its carefully managed public relations strategy which has combined outright falsehoods with remarkable openness – will tell by whose rules, those of the west or of its own older traditions, Russia is playing this time.

American heart specialist Michael DeBakey, right, who is to advise on President Yeltsin's treatment, is greeted with flowers in the Russian capital yesterday. With him is the head of Moscow's Cardiological Research Centre, Mr Yevgeny Chazov Reuter

US and UK clash over Serb sanctions

By Bruce Clark, Diplomatic Correspondent

US and British officials have had an ill-tempered argument over when to lift sanctions against Serbia – one of the first open rows between the western co-sponsors of the Bosnian peace accord.

Senior British diplomats said they were astonished by the tone of unnamed US officials who told the Washington Post that Britain was undermining American attempts to extract the maximum advantage from the lifting of sanctions.

The US officials spoke of "huge differences" between the US and Britain, and suggested London was aligned with Moscow, and ranged against Washington and Bonn, in calling for a swift end to all punitive measures against Belgrade.

"We are surprised by these remarks," said a British diplomat. "Whoever made them was clearly not well-informed." As London understood things, Mr Malcolm Rifkind, the UK foreign secretary, and Mr John Kornblum, the US official in charge of Balkan policy, had been in close and amicable contact over western policy towards Serbia.

Far from undermining Washington's policy, Britain had worked hard to bring France, Russia and Serbia itself round to a better understanding of the US viewpoint, a British diplomat said.

British officials did not deny, however, that there was a difference between them and their US counterparts over the terms on which the sanctions regime against Serb-led Yugoslavia – consisting of Serbia and Montenegro – should be ended.

The US wants to tie termination of the sanctions – technically in abeyance since the Dayton peace accord, but subject to swift reimposition if Serbia misbehaves – to clear political progress in Bosnia, including the successful functioning of Bosnia's newly elected institutions.

This policy is intended to ensure that Mr Milosevic maintains pressure on the Bosnian Serbs to co-operate in the establishment of a multiethnic government in Bosnia.

Russia, a traditional ally of the Serbs, has insisted that the lifting of sanctions should proceed according to the letter of the Dayton agreement – 10 days after the Bosnian elections have been certified as free and fair by the Organisation for Security and Co-operation in Europe.

Russian officials have said the sanctions regime should be lifted by the end of this week.

A British official confirmed that London had some reservations about Washington's insistence on broadening the conditions for the lifting of sanctions.

"We doubted whether reopening a done deal on the lifting of sanctions was the best way to achieve our shared objective," the official said.

He insisted that work was proceeding amicably on a follow-up resolution which would warn Serbia to respect its obligations to the international community.

EUROPEAN NEWS DIGEST

Spanish unions plan protests

Unions representing Spanish public sector employees joined forces yesterday to schedule mass protests against a wage freeze planned by the centre-right government to meet budget targets for the European single currency.

Demonstrations by eight unions, including two police organisations, are planned outside government offices next Monday when the government is set to send its 1997 budget bill to parliament. A second day of nationwide protest is set for October 15.

Mr Antonio Gutiérrez, leader of the powerful Workers' Commissions, did not rule out a general strike, which would be the first for almost three years.

But unionists are considering other ways of bringing pressure on the government such as boycotting consumption of non-essential goods. They say a zero increase will mean that wages for Spain's 2m public sector employees will have lost more than 11 per cent in value over five years.

The government is looking save up to Pta200bn ($1.57bn) through the measure. *David White, Madrid*

Malta heads early to polls

Malta will go to the polls on October 26, 10 months ahead of schedule, Mr Eddie Fenech Adami, premier, announced yesterday. Listing what he viewed as his administration's major successes in the past five years, Mr Fenech Adami included the handling of the economy and several legislative measures which created municipality councils, the setting up a financial centre, the fight against crime, and increased citizens rights.

Mr Fenech Adami, 62 (left), side-stepped questions whether, if victorious, he planned to lead his Christian Democratic party for another full five-year term.

Since first taking office in 1987 ending 16 years of uninterrupted socialist rule, the island has averaged an annual 4.5 per cent GNP growth.

Mr Fenech Adami's main objective is to drive Malta into full EU membership at the earliest moment, a scheme opposed by the rival Labour party which in turn favours negotiating the setting up of a free trade zone with the EU. *Godfrey Grima, Valletta*

Arms group denies trafficking

An Italian arms manufacturer caught in a widening corruption probe said yesterday that prosecutors were investigating breaches of export procedure – not illegal arms traffic.

On the basis of leaked transcripts of telephone calls, Italian newspapers speculated at the weekend that La Spezia magistrates had uncovered illegal trade in arms, including exports to Bosnia and Iraq, in breach of UN resolutions banning arms sales to the region.

But Oto Melara, the state-controlled arms manufacturer based in La Spezia, said yesterday that it had never supplied arms to foreign countries in breach of UN embargoes. Mr Pier Francesco Guarguaglini, Oto Melara's chief executive, was arrested last week while Mr Lorenzo Necci, chief executive of the Italian state railway company, was also taken into custody.

"The accusations against [Oto Melara] managers refer to formal breaches of the procedure for obtaining licences, foreseen in the legislation on arms exports, and to incorrect corporate reporting," the group said in a statement.

Oto Melara, which is part of the Finmeccanica group, warned that "sensationalist use" of extracts from confidential court documents could seriously damage the Italian defence industry's reputation abroad and have grave implications for the national security of Italy's allies. *Andrew Hill, Milan*

Polish coalition fights split

Parliamentary deputies from Poland's two governing coalition parties, the former communist Left Democratic Alliance (SLD) and the Polish Peasant party (PSL), are due to meet today in an attempt to stem a deterioration in relations between the two partners.

The row between the parties, which have had an overwhelming majority in parliament since elections in 1993, stems from a fight over the division of ministerial posts in a government reform. The reorganisation which comes into force next month provides for the abolition of seven ministries and the creation of four new ones in their place. These include the treasury, which will oversee state-owned companies and be responsible for privatisation. The PSL, the junior coalition partner, is arguing against determined opposition from the SLD, that it should be handed the treasury.

Mutual relations recently took a turn for the worse when Mr Wlodzimierz Cimoszewicz, the prime minister, suddenly dismissed Mr Jacek Buchacz, the foreign trade minister and PSL nominee from his post. Later Mr Cimoszewicz incensed the PSL when he showed that he had no intention of handing the treasury to the Peasant party by asking Mr Piotr Czyzewski, a deputy privatisation minister with no PSL links, to organise the new ministry. *Christopher Bobinski, Warsaw*

Bulgaria offers 15 companies

Bulgaria said yesterday it would sell off 15 major state-owned companies in its boldest move to a market economy since the collapse of communism.

Premier Zhan Videnov's government hopes to sell off all state-owned companies by the end of the year and earn about US$1bn according to state TV.

The list of enterprises up for sale includes seven chemical works, two metallurgic plants, two shipyards and four engineering companies.

Among them are the Sodi Works near Devnya, which provides about 10 per cent of the world's calcinated soda; the country's largest copper smelter near Pirdop, and Bulgaria's largest engineering company, Balkancar.

Socialists are the successors to Bulgaria's former Communist party, and remain reluctant to embrace fully a market economy. However, the International Monetary Fund has delayed disbursing a vital loan, citing the slow pace of economic restructuring and the fragility of the banking system. *AP-Dow Jones, Sofia*

Portuguese banker arrested

A top director at Banco Comercial Portugues (BCP) has been arrested on charges of loan-making irregularities, according to leading newspaper reported yesterday.

According to the daily, O Publico, Mr José Dias Silva, who heads BCP's private banking operations, was arrested last week on the charges, which stem from activity in 1985 when he worked for Banco Portugues do Atlantico (BPA).

BCP's spokesman was not available to comment on the report.

The newspaper reported that Mr Silva provided large, preferential loans to a Portuguese businessman with emigrant status, a practice outlawed at the time. *AP-Dow Jones, Lisbon*

Perry bid to allay fears over Nato

By Hugh Carnegy in Stockholm

Mr William Perry, the US defence secretary, yesterday sought to allay Finnish and Swedish concerns about the planned expansion of Nato, saying Washington wanted Russia inside "the circle of European security".

At the same time, he signalled that Latvia, Lithuania and Estonia, which are seeking Nato membership in the face of strong Russian objections, would be offered an enhanced version of the current Partnership for Peace organisation if, as expected, they were not admitted in the first round of Nato enlargement.

"We are interested in bringing Russia into the security structure of Europe," Mr Perry said at the end of a three-day visit to Finland and Sweden. "In this circle of security, we want Russia to be inside, participating in it, not outside."

If any country was turned down for Nato membership when decisions were taken next year, it would not mean outright rejection. Rather the answer would be "not yet". He added: "[Such countries] and Nato should then work together to expand and develop the Partnership for Peace. It provides for security in all of Europe."

The issue of security is highly sensitive in the Baltic region. Finland and Sweden, both neutral, are concerned that admitting the three Baltic states to Nato would provoke Moscow and rekindle cold war tensions. But they also fear that rejection of Nato membership for the Baltics would compromise their independence by signalling to Russia that the west considered them within Moscow's sphere of military influence.

The tensions surrounding the Baltics' Nato application were underlined yesterday when Denmark announced that Mr Igor Rodionov, Russia's defence minister, had turned down an invitation to attend a conference on Baltic security in Copenhagen today. Mr Perry and other Nato defence ministers, as well as their colleagues from Finland, Sweden and the three Baltic states, are to attend.

Nato defence ministers will move on to Bergen in Norway on Wednesday to hold further discussions on Nato enlargement.

Last week, Mr Paavo Lipponen, Finland's prime minister, questioned whether US policy makers "know what they are doing". Mr Perry, for his part, questioned the validity of remaining non-aligned, as Finland and Sweden have done despite the end of the cold war.

But the tension had eased by the end of Mr Perry's visit – during which he shared a sauna with Mr Lipponen. Mr Perry praised the role played in the Partnership for Peace by the two Nordic neighbours, while Finnish and Swedish officials said they believed their concerns about the region "are now high on the agenda".

France aims for big role

By David Buchan in Paris

Mr Javier Solana, Nato secretary general, said yesterday he hoped France would play an important role in the Atlantic alliance's "new command", once Paris returns to the military structure it left 30 years ago.

Speaking after talks in Paris with President Chirac and Mr Charles Millon, France's defence minister, Mr Solana expressed the wish that "France as well as Spain, which are moving closer to Nato, can be comfortable in the new command structure".

Mr Millon said yesterday the French were "not reasoning in terms of posts they will hold, but in terms of the balance between Europe and the US". But the French military is bidding for a top job in a reformed Nato – a new post of European deputy to the US supreme commander, or a regional command.

Paris is reported to have turned down the offer of a new command covering France, the Iberian peninsula and its Atlantic approaches.

Opposition parties complain of ballot-rigging as president leads in poll

Armenian election sparks protests

By Sander Thoenes in Yerevan

Armenian opposition parties yesterday protested about alleged ballot-rigging as preliminary results of the country's presidential election showed the incumbent, Mr Levon Ter-Petrosian, in the lead.

Crowds were last night gathering in Freedom Square in Yerevan, the capital, to hear Mr Paruir Airikian, the dissident who dropped out of the presidential race, describe the preliminary results as a farce. "The people expressed their will, and look at what they are doing now," he said.

Mr Armen Pogosian, an aide of Mr Vazgen Manukian, the main rival to Mr Ter-Petrosian, said election officials had kept his supporters from observing votes in some stations and denied them a copy of voting results in others.

He alleged soldiers had voted more than once and at one polling station military officials had thrown out the Election Commission.

His allegations follow a series of apparent abuses at polling stations which drew complaints from observers during Sunday's vote. Mr Ter-Petrosian's supporters have lodged complaints against their rivals as well.

Monitors from the Organisation for Co-operation and Security in Europe ruled last year's parliamentary vote unfair and stepped up their presence this year, with 95 observers attending not just the vote count at the stations but the collation of results as well. They will announce findings today.

Voting figures in eight of the 11 provinces showed Mr Ter-Petrosian, a tough monetarist who swept to power on a nationalist platform five years ago, leading with 56 per cent of the votes.

Mr Manukian, a former premier who supports reforms but who promised to spend more on salaries, pensions and education, had 36.6 per cent. A Communist candidate had 6.9 per cent and a centrist less than one per cent. Mr Airikian had bowed out of the contests in favour of Mr Manukian.

But the results available last night did not include Yerevan, which has 38 per cent of the electorate. Results available yesterday included only provincial towns and rural areas. Even Mr Ter-Petrosian's supporters acknowledged that Mr Manukian was likely to win in Yerevan and several other cities.

Mr Khachatur Bezirdzhian, chairman of the Central Election Commission, said Mr Ter-Petrosian was likely to receive the minimum required 50 per cent of the vote.

Mr Ter-Petrosian claimed victory yesterday but Mr Manukian also said he was the victor. "We have achieved victory in the first round, regardless of massive falsification. We won't let them have a false president. The people will defend their elections most resolutely," he said.

If no candidate wins more than half the votes, the two leading candidates go into a run-off vote in two weeks.

President Ter-Petrosian (left) and opposition leader Vazgen Manukian cast their votes in yesterday's elections AP, Reuter

End of pay-TV plan aids probe, says Van Miert

By Neil Buckley in Brussels

The scrapping of pay-TV plans in Germany by Compagnie Luxembourgeoise de Télédiffusion and Germany's Bertelsmann would make "easier" the European Commission's investigation into the merger of the two companies' TV interests, the EU competition commissioner said yesterday.

The merger announced in June of Ufa, Bertelsmann's TV subsidiary, and CLT's television business would create Europe's biggest broadcaster, valued at more than $6bn.

Speaking after a conference on competition policy, Mr Karel Van Miert said the dropping of the pay-TV plans "will make the handling of the case easier".

"The most problematic thing in this deal was the pay-TV," he added.

CLT and Bertelsmann had planned to open a pay-TV channel, Club RTL, in Germany this autumn. But they abandoned the plans last week in favour of developing free-TV services, saying the German pay-TV market was saturated.

Whether the proposed merger of the two groups' TV interests will win commission approval has been in doubt. Mr Van Miert has argued that the European media industry should guard against development of dominant giants, and needed vigorous competition.

The commission has vetoed only five mergers since it gained the power to vet large European mergers in 1990. Three of those have been in the media sector.

Mr Van Miert also gave a clear signal that the proposed merger of the container interests of Britain's P&O and Nedlloyd of the Netherlands to form the world's largest container group would be investigated by the commission.

"It is going to be looked into, obviously," Mr Van Miert said. He believed the proposed deal did meet turnover thresholds that would put it automatically under the commission's jurisdiction. "But I have to be given some additional information to be absolutely sure."

Officials had indicated previously that whether the deal met the thresholds depended on precisely how it was structured.

Mr Van Miert said the commission was making progress in investigations of supply contracts between Electrabel, Belgium's electricity and utility company, and the country's municipalities.

The commissioner warned in March that moves this year to extend the exclusive agreements by up to 18 years – often in connection with municipalities taking stakes in Electrabel – could contravene competition law and hamper liberalisation of the EU electricity market.

He said yesterday Electrabel had agreed the contracts should "not run longer than 15 years". But the commission still needed guarantees that local authorities were free to end supply contracts with Electrabel.

World rules on competition plea

By Neil Buckley

Mr Karel Van Miert, European competition commissioner, yesterday strengthened his call for international co-operation on competition policy to be on the agenda of the World Trade Organisation's ministerial conference in Singapore in December.

He told the Centre for European Policy Studies in Brussels that the globalisation of business and commerce made it essential for competition authorities to co-operate and exchange information, and for international rules to be agreed.

"It has become really apparent to me that the EU needs to go ahead with initiatives to try and develop an international dimension to competition policy," the commissioner said.

In June Mr Van Miert and Sir Leon Brittan, EU trade commissioner, issued a joint paper arguing that WTO members should commit themselves to establishing basic competition laws and enforcement systems as a first step towards agreeing binding global rules.

NEWS: WORLD TRADE

China's call for direct shipping links with Taiwan threatens Hong Kong cargoes

HK port sees rivals on horizon

When relieved British and Chinese officials proclaimed an end to years of wrangling over Hong Kong's port last week, they said the expansion plans would buttress the territory's position as the region's dominant trading hub.

But if peace has broken out over the world's largest port, the battle for regional trade is entering a fiercer phase. China's call last month for direct shipping links with Taiwan, though part of a complex political game, threatens to shift cargoes from Hong Kong. The challenge is compounded by rising competition from Singapore and South Korea to the emerging ports along the southern Chinese coast.

The reaction of Taiwanese industry to China's overtures demonstrates the growing rivalry. "Taiwan's major container shippers are gearing up to take a share in China's trade," said Yang Ming Marine. "Taiwan could become a transhipment centre for the mainland," the company claimed.

For Hong Kong, the entrepot for Taiwan-China trade, this threatens upheaval. Taiwan-China container trade passing through the territory reached about 1m TEUs (20ft equivalent units) last year, compared with total throughput of 12.6m TEUs. The territory's Port Development Board estimates direct shipping ties between Taiwan and China would result in the loss of about 900,000 TEUs of this trade within a few years.

There are still many obstacles to cross-straits shipping, in the short term at least. Taipei is resisting direct trading ties, until political concessions are forthcoming from Beijing. Sensitive diplomatic issues must also be overcome, such as the flagging of vessels and other delicate issues of sovereignty.

But despite such considerations, the process appears inexorable, if only because Hong Kong's return to Chinese sovereignty next year undermines the pretence of indirect trade between Taiwan and the mainland. And once direct ties are established, Taiwan will eye much more than the existing commerce flowing through Hong Kong.

Taiwan argues that its ports offer savings over Hong Kong for shipments between the Chinese mainland and international markets. According to the Hong Kong Shippers' Council, terminal handling charges in Taiwan are US$133 per TEU for cargoes from the US, compared with US$219 in Hong Kong. Although Hong Kong's general port charges, from pilotage to navigation rates, remain low, Taiwan's transport ministry believes local ports can replace Hong Kong for up to 3m TEUs of goods coming out of China.

Taiwan is not the only threat. "The bigger challenge may come from China and even from Singapore," says Mr Harry Wilkinson, chief financial officer of Orient Overseas, the Hong Kong shipping group. Emerging ports on the southern China coast, from Zhuhai to Yantian, are well placed to win intra-Asian trade, one of the driving forces behind the growth of containerised commerce.

But Hong Kong is keeping calm. "I don't worry too much, I am still confident," said Mr Li Ka-shing, the head of Hutchison International Terminals, the territory's biggest port operator. HIT is developing new ports in the Pearl River Delta and is investing in Shanghai's expanding port facilities.

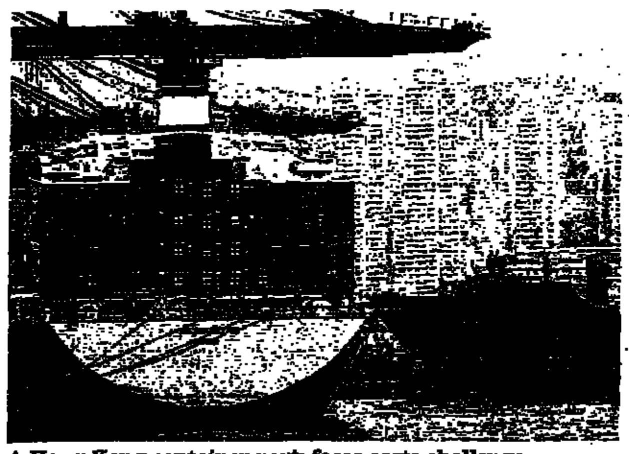
Port officials stress the territory's advantage in terms of support services and infrastructure and, in particular, point to the trade potential of its hinterland. The Port Development Board estimates that economic expansion in southern China will push the territory's total container throughput to 28m TEUs by 2001.

"We may lose shipments," says one port executive. "But this is not a zero-sum game. Direct links between China and Taiwan will stimulate regional trade and Hong Kong will benefit." By his estimates, Hong Kong will need to expand each year by almost the size of Felixstowe, the biggest port in the UK, if it is to meet demand.

Shippers agree about the potential but add a note of caution. "The real challenge for Hong Kong is costs," says Mr Wilkinson at Orient Overseas. "It is more expensive to handle a container here than in Rotterdam, and no country can defy economics over time."

The new terminal, says a rival shipping executive, is a step in the right direction. "It will ease capacity constraints, and should ease pressure on rates," he says. "And in the long run that is going to determine whether Hong Kong stays ahead of the rivals in its wake."

John Ridding



A Hong Kong container port: faces costs challenge *Tony Andrews*

Tokyo jet plans may be grounded

By William Dawkins in Tokyo

Japanese industry officials have admitted their latest attempt to realise a long-frustrated ambition to create an indigenous world class aircraft industry may never get off the runway.

The Ministry of International Trade and Industry has launched a review of the viability of a 10-year old plan to create a 100-seat Japanese-made regional passenger aircraft, known as the YSX, according to Japanese media reports.

This follows the announcement by one of the YSX's main industrial participants it might pull out and form a joint venture with a foreign partner.

This appears to have been a severe blow to the scheme, already called into question by a world price war for commuter aircraft.

"We are not satisfied with the slow pace of the project," Mr Tatsuya Kugo, head of Miti's aircraft and ordnance division, was quoted as saying by Kyodo news agency. "We have to carefully examine the project's feasibility," be said. Project planners say there are no technical problems, but it is unclear whether there is a market for the 200 aircraft needed to break even. Sales were scheduled to start in 2000, but officials say this is now unlikely. Miti officials were not available to comment yesterday, a Japanese national holiday.

The main partners in YSX are Japan's top aerospace component producers, Kawasaki Heavy Industries, Fuji Heavy Industries and Mitsubishi Heavy Industries, plus Miti itself and the state-backed Japan Aircraft Development Corporation. Last month, Mitsubishi indicated that it wanted to abandon the scheme and produce a cheaper 100-seat aircraft based on an existing model developed with Bombardier, the Canadian aerospace group.

Miti is now studying the Mitsubishi-Bombardier option as an alternative to the YSX, originally envisaged as a joint venture with Boeing, until the US aerospace group's decision to shelve involvement, to save costs, three years ago. But if Miti does follow that route, it is likely that the Japanese partners would continue, as they are now, as mere subcontractors to a foreign-based project.

Japan's first attempt to revive its aircraft industry, destroyed in the second world war, got off the ground in the 1960s, in the shape of a 64-seat twin propeller passenger aircraft called the YS-11.

The domestic market proved too small to support the YS-11, and a mere 182 were sold, forcing the producers to halt production, amid mounting losses and debts, in 1973. Work on the original YSX, intended to succeed where the YS-11 had failed, got under way at Miti's instigation in 1986. But has been dogged ever since by the caution of private sector partners, understandably unwilling to

Japan's ambitions for space are having better fortune. In July, a Japanese consortium and the government's space agency separately began negotiations with foreign customers to launch what would be their first foreign satellites.

Taipei eases rules on shares

Taiwan is to widen foreign participation in its stock market, allowing foreigners to hold up to 25 per cent of locally listed companies, said Mr Paul Chiu, finance minister, AFP reports from Taipei.

"The move to expand the domestic stock market is in line with the government policy of liberalising and internationalising Taiwan's financial sector," Mr Chiu said.

Under the new rules, a single foreign individual or institution can hold up to 10 per cent of the shares issued by a Taiwanese listed company, up from the current 7.5 per cent ceiling. The maximum combined foreign stake in a company has been raised from 20 to 25 per cent.

The liberalisation, to take effect by the end of this year, would "upgrade the quality and quantity of the local securities market and help Taiwan realise its plan of becoming a regional operation centre," Mr Chiu said.

Based on total market capitalisation at the end of August, about US$59.6bn would be opened to foreign investors, compared with the US$47.7bn now available.

About US$24.5bn of foreign stock funds had been approved by authorities in Taiwan and US$9.9bn had been invested in the island, Mr Chiu said.

● A Taiwanese business group will leave for North Korea today to explore business and investment opportunities despite the absence of formal ties, Reuter adds from Taipei.

The group, comprising 30 business leaders from small and medium-sized companies, plans a one-week visit, said Mr Joseph Chen, deputy secretary-general of the Chinese National Federation of Industries.

"North Korea is a completely new market for Taiwan businessmen," said Mr Chen.

WORLD TRADE NEWS DIGEST

Daewoo agrees clutch deal

Daewoo, the expansionist South Korean industrial and vehicles group, is to manufacture automatic clutch systems for cars under a licensing and production technology transfer agreement with a UK-based group expected to be worth $200m over the next 10 years.

Daewoo intends to use the system, which dispenses with the need for a clutch pedal and is just starting to be introduced to cars produced in the west and Japan, in new models it intends to launch in 1998.

The agreement is between Daewoo Precision Industries and AP Kongsberg Holdings, a joint venture between Automotive Products of the UK and Kongsberg Automotive of Norway. The system will be fitted to two of Daewoo's fast-expanding model range. The South Korean group intends to be one of the world's top 10 carmakers by the end of the decade, with an annual output of more than 2m units. *John Griffiths, London*

Hungary's illegal computers

Up to 25 per cent of Hungary's total sales of computers are illegal. "We think the hardware black market accounts for up to a quarter of Hungary's information technology turnover," said Mr Tibor Gyuros, president of the Information Enterprises Association. Mr Gyuros, also general director of computer company Rolltron, said he met tax and customs officials at the weekend to tackle the growing black market.

Mr Gyorgy Beck, general director of Digital Hungary, a unit of US-based Digital Equipment estimated that as much as 90 per cent of computer memory chips could come from illegal imports but hard disks, motherboards and processors were also affected. *Reuter, Budapest*

Hutchison wins Subic port

Hutchison Whampoa was confirmed as winner of a contract to develop a container terminal at the Philippines' Subic Freeport. The Subic Bay metropolitan authority said Hutchison's proposal would provide the "greatest financial return" and was the most advantageous to the government. International Container Terminal Services, the country's largest port operator, had submitted a lower bid. *AFX, Manila*

LOT in drive on cargo

Poland's national air-carrier LOT and DHL Worldwide Express have launched a joint cargo connection between Warsaw and Brussels via Germany. The connection established this month will operate five times a week using a Boeing 727 cargo aircraft, capable of carrying nearly 22 tonnes, according to DHL.

LOT, earmarked for partial sell-off, most likely next year, carried 10,500 tonnes of cargo in the first eight months of 1996, nearly 17 per cent more than in the same period last year. *Reuter, Warsaw*

JNOC in $50m oil deal

The Japan National Oil Corporation signed a deal yesterday to spend over $50m prospecting for oil offshore Kazakhstan. JNOC said the company eventually hoped to produce oil from Kazakhstan's Caspian Sea shelf.

The Kazakh government said JNOC would explore oil reserves in Kazakh sections of the Aral Sea and Caspian Sea. *Reuter, Almaty*

Perot turns to court over TV debates

By Jurek Martin in Washington

Mr Ross Perot, presidential candidate of the Reform party, yesterday took to the courts as well as to the air waves to press his case for inclusion in next month's televised debates.

A lawsuit filed in the federal court in Washington asks that the Federal Election Commission, which oversees campaign finance, order that Mr Perot appear alongside President Bill Clinton and Mr Bob Dole, the Republican candidate, in the debates.

Mr Russell Verney, Reform party spokesman, said the exclusion of Mr Perot was a violation of "the fundamental exercise of free speech". Mr Perot participated in televised debates in the 1992 presidential election.

The Clinton and Dole camps have now agreed there will three debates in all – between the heads of the respective tickets on October 6 and 16 and between Vice-President Al Gore and Mr Jack Kemp for the Republicans on October 9. That agreement, hammered out over the weekend, follows the recommendation last week of the bipartisan debates commission that Mr Perot be excluded on the grounds he has no realistic chance of winning in November.

Opinion polls consistently give Mr Perot single digit ratings.

The Dole position all along has been that Mr Perot should not take part, because the exposure could well increase his chances of dividing the anti-incumbent vote. The Clinton side preferred his inclusion for much the same reason, although the president holds a wide opinion poll lead over Mr Dole.

Mr Clinton may have got the best of both worlds, for Mr Perot has now turned on the Republican candidate with a vengeance, reminiscent of the way he showed personal animus towards President George Bush in the 1992 campaign.

In a Sunday TV interview he said Mr Dole had "poisoned the attitudes of millions of independent voters who put the Republicans in power of the House and Senate [in 1994]".

By contrast Mr Perot praised Mr Clinton for having tried to include him.

Mr Perot's voice is being heard frequently in paid-for TV commercials, including his trademark half hour disquisitions on what is wrong with the country. These have now been supplemented with shorter 30 second commercials demanding he appear in the debates.

His spat with Mr Perot may not be the biggest of Mr Dole's problems. His campaign is now focusing on the 29 states which could still give him a majority in the Electoral College, but that means diverting resources away from some of the traditional battlegrounds, such as California, Illinois and Pennsylvania.

AMERICAN NEWS DIGEST

Cardoso eyes second term

President Fernando Henrique Cardoso of Brazil has stated publicly for the first time that he hopes to run for a second term, in elections scheduled for October 1997. Brazilian law prohibits re-election for all holders of executive office – the president, state governors and mayors – and Mr Cardoso would require the support of two thirds of Congress to make the constitutional change needed for him to stand again.

It has been understood for some months that Mr Cardoso was keen to run for another term but he resisted public statements until the weekend, when he told a local newspaper he was in favour of amending the constitution to allow re-election of incumbents.

"I am in favour of re-election as an idea... If [the constitution] were amended, I think I should have the right to stand again," he said.

Mr Cardoso's allies are expected to begin efforts to change the constitution after municipal elections next month, when government supporters face tough opposition from candidates opposed to re-election, particularly in São Paulo. *Jonathan Wheatley, São Paulo*

Argentine production rises

Industrial production in Argentina rose vigorously in August, placing beyond doubt the strength of economic recovery from last year's deep recession, according to a report released yesterday by the influential FIEL economic think-tank.

Preliminary figures for August placed FIEL's industrial production index, the most watched Argentine economic indicator, 9.2 per cent higher than in the same month of 1995. August marked the fifth consecutive month of increased output, following 12 months of straight decline.

The economy, which contracted 4.4 per cent last year following the effects of the Mexican devaluation, had begun to recover this January, according to Mr Abel Viglione, an economist at FIEL. "We had growth in the second quarter and growth will be very strong in the third quarter," he said.

Despite ample evidence of recovery, the Argentine public continues to believe the economy is mired in recession. In a recent opinion poll, 65 per cent of respondents said they thought the economy would stagnate or decline further. *David Pilling, Buenos Aires*

IMF warns on US economy

The IMF warned yesterday, ahead of the US Federal Reserve's policy meeting today, that there were already signs of overheating in the US economy.

In a briefing ahead of the IMF's annual meeting later this month, a senior official said that the 5.1 per cent unemployment rate in the US was probably at or below the "natural rate" which could be sustained without setting off an upward spiral in inflation. He added that there were already signs of inflationary pressure in some wage negotiations.

The IMF also cast doubt on claims that the growth rate which the US economy can sustain without inflation rising has increased. With both main candidates in the presidential race calling for stronger growth, the official said it was a "dream" to believe that the US economy could sustain growth of more than 2.5 per cent a year. *Robert Chote, Washington*

Technocrats will not be picked as presidential candidates

Mexico's PRI voices discontent

By Leslie Crawford in Mexico City

Santiago Oñate, PRI leader, appeals for calm as scuffles break out at the assembly

Mexico's ruling party has voted to ban technocrats with no political experience from being chosen as its presidential candidates. Under the new rules, neither President Ernesto Zedillo, a former central banker, nor his two predecessors would have qualified to stand for the presidency.

A national assembly of the Institutional Revolutionary Party (PRI) over the weekend decided that presidential candidates must have previous experience in an elected political post, and have been a party member for at least 10 years.

The new rules ensure the next presidential candidate will almost certainly be chosen from the ranks of the party, rather than from the bureaucrats who run government.

The PRI had not held a national assembly since 1990 because of internal squabbling. The weekend meeting was therefore the first time since the disastrous devaluation of the peso in December 1994 that rank-and-file members of the party have been given an opportunity to voice their discontent.

Worried by the loss of votes since the economic crisis, the PRI has sought to recast itself as a fiercely patriotic and populist party. The party has governed Mexico since 1929, but opinion polls show it might lose the mayorship of Mexico City and its absolute majority in the lower house of Congress in 1997 unless it can renew its electoral appeal.

"Comrade". Santiago Oñate, PRI leader, said the party would no longer be "an obsequious follower" of government. "It is time to revive the internal life of the party," he said.

The national assembly voted to drop "social liberalism" from the guiding principles of the party, in a rebuke to the free-market economic policies pursued by PRI governments since the mid-1980s.

It also voted to oppose the privatisation of Mexico's 61 petrochemical plants, despite the best attempts of the PRI leadership to keep oil policy off the agenda.

Mr Pablo Pavón, a delegate from the oil workers' union, roused the convention with a speech that warned against handing over "the greatest wealth of our country to foreigners". He received a standing ovation, and a unanimous vote to defend the petrochemical industry's state ownership.

It was not clear, however, whether Mr Zedillo and his cabinet would pay greater heed to the PRI's opinions after the assembly. One presidential spokesman said the government would not abandon its plans to privatise the petrochemical industry. "It may cost us political capital, but the privatisation is going ahead," he said.

Correction

Banco Serfin

We have been asked to point out that neither Mr Adrian Sada of Mexico's Banco Serfin, nor the bank itself, is being audited by government tax inspectors, contrary to our report of September 20.

Quebec under pressure on power contract

By Robert Gibbens in Montreal

Mr Brian Tobin, premier of Canada's Newfoundland province, has opened a national campaign to force Quebec to renegotiate the terms of a contract which allows it to buy power from the Churchill Falls hydro-electric project at 1969 prices.

The Churchill Falls project in Labrador, Newfoundland, was only able to sell bonds to finance its construction by agreeing a contract in 1969 to sell 4,300MW of its 5,000MW output to Hydro-Quebec, Quebec's power utility.

The private-public project came on full stream in 1976 at a capital cost of about US$1bn. Quebec also invested nearly US$1bn in the 700-mile transmission system from Labrador, on the Canadian mainland, to Montreal.

However, the contract did not include any escalator clause. Since the deal was signed there have been two world energy crises and Hydro-Quebec is still buying the power at 1969 rates and selling it at current values, for an estimated annual profit of US$500m.

Mr Tobin, who when Liberal fisheries minister in Ottawa, successfully fought the cod war with Spain two years ago, argues that Quebec is making unconscionable profits from the contract.

"The terms must be renegotiated to provide Newfoundland with a fair return," he said. He threatened to cut off the power at the Labrador border.

Mr Jean Chrétien, Canadian prime minister, said he would not get involved in what he called a quarrel between two provinces.

'This contract was signed by consenting adults'

Mr Lucien Bouchard, Quebec premier, who has just replaced Hydro-Quebec's top management, cited two Canadian Supreme Court decisions upholding the 1969 power contract.

"This contract was willingly signed by consenting adults when only Quebec was willing to take the risk on the Churchill Falls," he said. He denied making any commitment to renegotiate terms during a provincial premier's meeting in August.

Banks in China see fall in savings growth

By James Harding in Beijing

China's banks were alerted yesterday to the sharp fall in the growth of individual savings deposits as Shanghai authorities released figures showing tens of billions of yuan had been diverted into the stock market.

The waning enthusiasm for holding money in bank deposits is likely to unnerve many Chinese banks, which are relying on buoyant individual savings to help meet the borrowing requirements of China's ambitious infrastructure programme and sustaining huge state-owned enterprises.

One economist in Beijing said: "The change in composition of savings in China has to be worrying for the banking system. On the loan side, the banks face heavy demand from new projects and targeted state enterprises, but their sources of funds are drying up."

The monthly growth in savings deposits in Shanghai fell to Yn1.53bn ($184m) in July and August compared with monthly growth of Yn6.39bn in the first three months of the year and Yn3.63bn in the second quarter, according to figures released in the Shanghai Securities News.

The official report said the slowdown was a response to China's interest rate cut on May 1 and cancellation of inflation subsidies for long-term deposits.

International economists in Beijing said the figures were in line with speculation in the central government of a fall in savings deposits growth.

This has been a focus of attention in Beijing, one western analyst said, because "from the central plan point of view it has been very nice to have a large cushion of deposits." But he also suggested pressure on banks could be mitigated by a relative slowdown in private sector lending as a result of the rising real borrowing costs.

In Shanghai, the report suggested the shift was a boon for the stock market. Exchange authorities said tens of billions of yuan flowed into stock markets after the interest rate cuts.

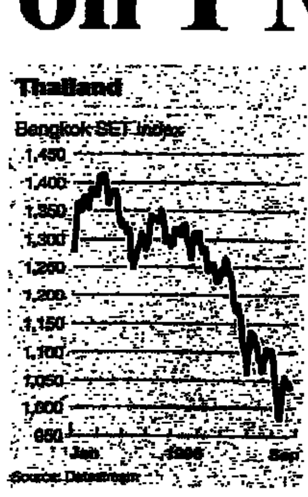
In the first eight months of this year, turnover on the Shanghai stock market was Yn1,318bn compared with Yn546.2bn for the whole of 1995. Average monthly trading rose from Yn44bn in the first quarter to Yn237.2bn from April to August.

Fears on PM hit Thai stocks

By Ted Bardacke in Bangkok

Thai stocks fell yesterday as investors showed their disapproval of signs that Gen Chavalit Yongchaiyudh would become Thailand's next prime minister by the end of the week and would appoint a cabinet with key ministerial portfolios distributed according to the country's traditional quota system.

Equities were off 1 per cent, with the SET index closing at 1,034.37 despite a spree of speculative buying in the first few minutes of trading, prompted by the weekend promise of Mr Banharn Silpa-archa's, prime minister, to resign within seven days.



Source: Datastream

The Thai baht was slightly firmer in spot trading, closing at Bt25.382 to the dollar, compared with Bt25.390 on Friday. The central bank's official mid-rate was Bt25.39, up from Bt25.38 on Friday. Interbank rates also fell slightly to 14 per cent, down from 14.5 per cent on Friday.

Traders said the euphoria caused by Mr Banharn's promised resignation had given way immediately to fears that Gen Chavalit, if he became prime minister, would be unable to shake off personal interests and influences dominating the six-party coalition and to form an economic team that would inspire confidence.

"People have had time to think about what comes after Banharn, and who the cabinet might be," said Mr Susheel Narula, head of research at Seamico Securities. "Rumours will dictate the market until we really know what's going on."

A spokesman for Gen Chavalit's New Aspiration party said a new prime minister would not be announced at least until after today's cabinet meeting, when a host of large infrastructure projects are likely to be approved. The cabinet is unlikely to approve new banking or insurance licences promised by the Banharn government, but held up by corruption allegations.

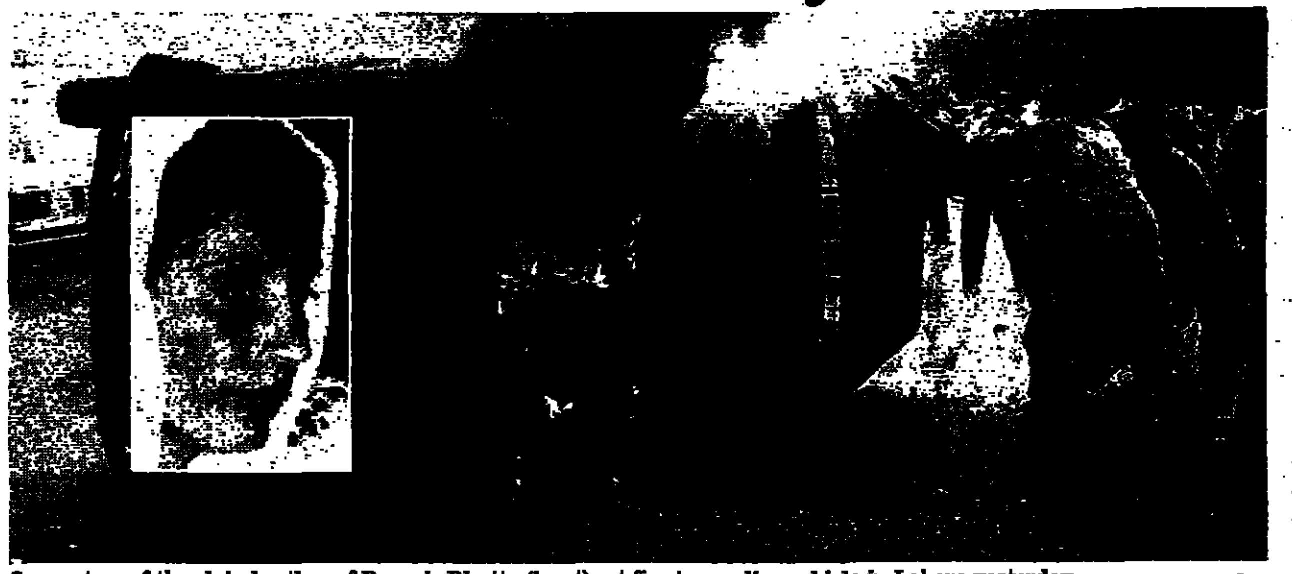
Other politicians said negotiations over cabinet portfolios were intense, with Mr Banharn threatening to dissolve parliament and call new elections if he and his Chart Thai party were not given enough positions in the new cabinet.

For example, Mr Banharn said he wanted the education ministry portfolio reserved for his daughter Kanchana Silpa-archa, also an MP, despite her role in a land scandal that helped bring her father down.

Mr Sanoh Thienthong, Chart Thai secretary-general and widely seen as one of the darkest figures in Thai politics, was also demanding the powerful interior ministry post.

A Bhutto death too many for PM?

Farhan Bokhari and **Khozem Merchant** on what it may mean for Pakistan's leader



Supporters of the slain brother of Benazir Bhutto (inset) set fire to a police vehicle in Lahore yesterday Reuter

The chants of "Benazir, Benazir, what have you done?" that accompanied the burial of Mr Murtaza Bhutto, brother of Pakistan's prime minister Ms Benazir Bhutto, were an emotional reminder of the bitter divide that has marked the country's most celebrated family.

Ms Bhutto is said to be deeply traumatised by the killing of her estranged brother who, along with six of his supporters, was shot in a gun battle with police in Pakistan's biggest city Karachi on Friday.

The police claim that private guards driving ahead of Mr Bhutto's jeep opened fire first. Mr Bhutto's breakaway faction of his sister's ruling Pakistan People's party claims that he was "assassinated" by the police without provocation.

This may be one killing too many for a prime minister whose father was hanged by the regime that overthrew him and whose other brother, Shahnawaz, died from poisoning a decade ago in suspicious circumstances.

Some observers are beginning to wonder whether Ms Bhutto will now quit before the next election in 1998. Her disenchantment with domestic politics is widely known. For more than two years Islamabad's worst-kept secret has been her desire to make a dignified exit from domestic politics and pitch for a job as an international civil servant.

"Benazir Bhutto perhaps now faces her most difficult moment. If the outcry grows in Sindh [the country's second largest province, the heartland of Bhutto support and a hotbed of nationalism], then Pakistan's opposition may gang up to exploit the situation and try to remove her government," says a senior western diplomat in Islamabad.

The army, which has ruled Pakistan for most of the country's 50 years' existence and remains the power behind the throne, is increasingly anxious about what senior staff see as the public's diminishing confidence in Ms Bhutto.

There is likely to be a dignified silence while the family mourns. But Pakistan's main opposition leaders are expected to lose no time in adding further political woes to Ms Bhutto's personal discomfort.

The Bhutto siblings' rivalry was long, bitter and ultimately tragic. Murtaza returned to Pakistan in 1993 after a 16-year self-imposed exile. He had lived in Syria for many years and as head of the Al-Zulfiqar terrorist group skirted around the international terrorist set and was behind at least one airline hijacking in the 1980s. Last year, backed by his mother Mrs Nusrat Bhutto, the Bhutto matriarch, he set up a rival faction of the ruling PPP, accusing his sister's government of corruption and misrule.

But his splinter party attracted no PPP heavyweights and posed little political threat to Ms Bhutto, who had firmly grasped the mantle of their father Zulfikar Ali Bhutto after he was executed by the former military ruler General Muhammad Zia-ul-Haq in 1979.

But Murtaza's behaviour has remained an embarrassment. At the same time Mrs Nusrat Bhutto had sided with her son against her daughter, whom she accuses of behaving like a dictator. This was a family at war.

Meanwhile the Pakistan Moslem League, the vehicle of Mr Nawaz Sharif, the former prime minister, and the country's main opposition party, has called a parliamentary debate on the breakdown of law and order – given a chilling urgency yesterday when 21 Sunni Moslem worshippers died in a gun attack on a mosque in the central city of Multan.

While a vote of no-confidence is unlikely, signs of a rift between Ms Bhutto and Mr Farooq Leghari, the president, have encouraged opposition leaders to think that the president may sack the government if the situation in Sindh deteriorates. He would have to call fresh elections within 90 days.

Mr Leghari's decision this week to ask the supreme court for clarification as to whether he needs to take the prime minister's advice on the appointment of judges, has added to the speculation that he is trying to curb the government's powers over judicial appointments.

Mr Gohar Ayub, the deputy opposition leader in Islamabad, says: "It appears that the president has decided to establish his independent position". The political jockeying is unsurprising but will be accelerated by Ms Bhutto's tragedy.

What will not help is the fact that Ms Bhutto's husband Mr Asif Ali Zardari – the target of chants of "you are a murderer" at the funeral of Murtaza Bhutto – has proved a source of enduring embarrassment to Ms Bhutto's government since she appointed him investments minister recently. He is deeply disliked.

Ms Bhutto is already beset by economic difficulties that forced her to impose a tough budget for 1996-97 in the hope of persuading the International Monetary Fund to resume disbursements of a stalled $600m standby loan. The rupee was devalued earlier this month to address a rising trade deficit and another devaluation is likely in the autumn, say economists.

The economy cannot do without IMF disbursements yet Ms Bhutto's stewardship has displeased the Fund. Her earlier administration was dismissed by the president for mismanagement.

Ms Bhutto may reasonably claim credit for taming Karachi, where sectarian violence claimed 2,000 lives and brought the civil administration to a halt. But all this will count for nothing if Sindh now explodes.

Local Sindh parties have called a strike aimed at the prime minister and Mr Zardari whom they accuse of conspiring against Mr Murtaza Bhutto. These protests, still scattered, are an important indication of a possible shift of loyalties in Sindh which was at the heart of Ms Bhutto's campaign in the 1980s for the restoration of democracy.

ASIA-PACIFIC NEWS DIGEST

Seoul to keep N Korea sub

South Korea yesterday rejected a demand by North Korea that it return a submarine and the bodies of its crew which had intruded into South Korean waters.

In its first public comment on the submarine incident last week, North Korea claimed that the vessel had been on a routine training mission when it developed engine trouble and drifted on to rocks on South Korea's east coast.

"Since the vessel ran aground, our troops appear to have had no alternative but to land ashore and, given they landed on enemy territory, there seems to have occurred armed clashes."

The South Korean defence ministry dismissed the statement as "absurd", explaining that the intrusion was a "carefully premediated act of provocation".

The defence ministry believes that the submarine was trying to land reconnaissance commandos when it ran aground. Twenty North Koreans have been killed or found dead since they fled from the submarine on Wednesday, while one has been captured. Three South Korean soldiers have died in gun battles as they searched for possibly five other survivors. A mushroom picker was killed yesterday by South Korean troops who mistook him for one of the North Korean fugitives.

South Korea's national assembly passed a resolution condemning the intrusion as a "clearly armed provocation aimed at unifying the country by communising the South." It urged the government "to ferret out North Korean spies who have sneaked into the South" and "prevent insidious moves by forces sympathetic to North Korea." *John Burton, Seoul*

Vietnam to let dong slide

Vietnam will allow its currency, the dong, to depreciate gradually and cut interest rates in the coming months to bolster economic growth and reduce the country's growing trade deficit, the head of its central bank said. The official Vietnam Investment review quoted Mr Cao Si Kiem, president of the State Bank, as saying the exchange rate adjustment was necessary to save the economy from shock.

The official exchange rate of Dong 11,022 to the US dollar has been little changed for the last two years, which has pushed up its real value. Vietnam ran a trade deficit of $3.25bn in the first eight months, well above the $2.29bn deficit for 1995 as a whole. Government officials have said one reason for the deficit was the import of capital goods connected with foreign investment, but this has been slow to produce benefit in the form of increased exports of manufactures. A big fall in inflation to 3.2 per cent in the year to August compared with 18.4 per cent a year earlier has created leeway for lower interest rates, though economists warn some of the benefit could be dissipated if looser monetary policy encourages spending on consumer goods. *Peter Montagnon, Asia Editor, London*

Filipino remittances surge

Remittances from overseas Filipinos surged by 57 per cent to $3.48bn in the first half of 1996 underlining the Philippine economy's growing reliance on income from abroad to contain the country's current account deficit. The sudden increase, which economists attribute to a combination of stronger confidence in the Philippine economy and improvements to the country's banking system, is expected to keep a lid on the current account deficit which hit 2.5 per cent of gross domestic product in 1995. Without remittances the deficit could have been as high as 8 per cent of GDP last year say economists.

An estimated 4m Filipinos are employed overseas, of which most are either domestic servants working in the middle east and southeast Asia or menial labourers elsewhere. But more than 70 per cent – or $2.8bn – of the cash remitted in the first six months came from Filipinos in the US, of whom a large number are professionals in law, medicine and business. *Edward Luce, Manila*

■ Malaysia announced yesterday that it recorded a M$624.5m ($250m) trade deficit in July.

This compared with a downwardly revised surplus of M$551.4m in June. *James Kynge, Kuala Lumpur*

■ Hong Kong's inflation rate fell to a nine-year low of 4.9 per cent in the year to August, at least partially reflecting a weakness of demand in the economy which has already been demonstrated by sluggish retail sales and restaurant receipts. *Louise Lucas, Hong Kong*

Singapore sets the stage for telecom reform

By James Kynge in Kuala Lumpur

Singapore announced yesterday that a new basic telecoms competitor or possibly two new competitors, including foreign ones, would be allowed to operate in the city state from the year 2000. This will lift a big barrier to competition in basic telecoms with Singapore Telecom, the local monopoly.

Mr Mah Bow Tan, the communications minister, said the government would hold a two-stage tender to decide which companies might compete with SingTel on international and local calls, as well as in leased circuits, public switched messages, data systems and voice telephony services.

The licences to be granted represent the widest promised opening of the Singapore telecommunications market to date.

The first bite out of the company's monopoly will take place next April, when a local and foreign consortium will begin operating MobilOne, a mobile phone and public radio company.

Foreign companies will be allowed equity participation of up to 49 per cent in companies to compete with SingTel.

Mr Mah said preference would be given in the tender to bidders which plan to invest significant amounts and set up their own telecommunication networks. Industry analysts understood this to mean fixed-line networks, probably with fibre optic technology.

The Telecommunications Authority of Singapore (TAS) plans the first stage of the tender for March 1, 1997. A short list from this will go to a second tender in September 1997.

Results of the tender are to be announced in mid-1998, giving the successful licensee or licensees about 18 months to build and test networks and services before beginning operations on April 1, 2000.

The scheme is the latest step in the Singapore government's drive to lower costs and increase efficiency in telecoms, an area it regards as vital to the island's continued success as a financial centre in south-east Asia.

The government said in May it would bring forward the opening of its basic telecom services to April 2000 from an original date of 2007. SingTel would be paid compensation of S$1.5bn (US$1.1bn) by March 1997. The company has not given details of how it plans to use the compensation payment, but senior executives have said SingTel is interested in equity partnerships in the Asia-Pacific market.

Industry analysts said several large telecom companies might be attracted to tender for the licences on offer, mainly because of the lucrative market for international calls in the city-state.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.1	6.49	7.67	3.43	6.9	8.2	5.12	5.35	0.84	9.9	7.3	4.64	5.90	1.79
1987	11.6	6.5	6.82	8.39	3.12	[illegible]	[illegible]	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.2	5.4	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	9.8	6.4	4.34	6.46	2.61
1989	1.0	4.2	8.99	8.50	3.43	4.1	10.6	5.31	5.16	0.48	6.3	5.7	7.12	6.90	2.22
1990	3.6	5.5	8.06	8.55	3.60	2.6	8.5	7.62	6.90	0.65	4.5	4.5	8.49	8.86	2.11
1991	6.0	3.7	5.87	7.86	3.21	5.2	2.0	7.21	6.40	0.75	5.1	5.6	9.25	8.42	2.38
1992	12.4	2.0	3.75	7.00	2.95	4.5	−0.4	4.28	5.24	1.00	7.1	8.2	9.52	7.80	2.45
1993	11.6	1.2	3.22	5.86	2.78	3.0	1.4	2.83	4.18	0.87	9.4	7.9	7.28	6.47	2.11
1994	6.2	1.4	4.67	7.08	2.86	5.4	2.9	2.12	4.20	0.78	9.6	9.0	5.36	6.86	1.77
1995	−0.3	2.0	5.93	6.57	2.61	8.2	3.2	1.12	3.39	0.86	3.7	0.0	4.53	6.82	2.00
3rd qtr.1995	−0.7	2.8	5.79	6.32	2.53	8.6	2.8	0.86	3.05	0.86	3.2	−0.7	4.41	6.68	1.98
4th qtr.1995	−1.8	3.9	5.73	5.89	2.38	12.9	3.2	0.43	2.88	0.81	4.9	1.3	4.01	6.32	2.02
1st qtr.1996	−2.4	5.1	5.30	5.89	2.21	15.5	3.1	0.49	3.16	0.76	9.5	5.4	3.45	6.17	1.88
2nd qtr.1996	−2.4	5.2	5.42	6.70	2.18	15.7	3.8	0.49	3.24	0.72	10.5	7.3	3.33	6.47	1.87
Sept. 1995	−0.9	3.3	5.74	6.19	2.48	9.9	2.8	0.46	2.97	0.82	3.5	−0.1	4.19	6.56	1.96
October	−1.5	3.6	5.81	6.03	2.46	12.1	2.7	0.41	2.89	0.83	4.0	0.4	4.09	6.55	2.04
November	−1.7	3.8	5.74	5.93	2.42	13.9	3.4	0.44	2.88	0.83	4.4	1.0	4.01	6.32	2.04
December	−2.1	4.2	5.63	5.71	2.24	12.8	3.2	0.42	2.86	0.77	6.3	2.5	3.94	6.07	1.97
January 1996	−2.6	4.5	5.42	5.64	2.26	14.7	3.1	0.45	3.10	0.75	8.2	3.7	3.62	5.90	1.88
February	−2.6	5.0	5.15	5.81	2.17	15.7	2.8	0.50	3.19	0.75	9.7	5.9	3.35	6.18	1.86
March	−1.9	5.8	5.31	6.26	2.19	16.1	3.1	0.51	3.18	0.77	10.6	6.7	3.36	6.44	1.91
April	−2.4	5.7	5.38	6.50	2.20	15.3	3.0	0.49	3.23	0.71	10.6	7.1	3.33	6.39	1.88
May	−2.5	5.2	5.39	6.72	2.18	15.5	3.3	0.52	3.28	0.72	10.4	7.5	3.29	6.45	1.87
June	−2.4	4.8	5.48	6.90	2.17	16.3	3.8	0.46	3.19	0.71	10.4	7.2	3.38	6.57	1.84
July	−3.2	4.4	5.53	6.85	2.25	14.3	3.7	0.55	3.27	0.74	11.3	7.8	3.38	6.48	1.85
August	−3.9	4.2	5.42	6.62	2.19	14.1	3.7	0.53	3.14	0.76	10.8	8.2	3.29	6.30	1.81

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	6.4	7.79	8.36	2.65	10.5	8.4	13.25	11.47	1.41	4.0	15.4	11.02	10.21	4.35
1987	4.1	11.5	8.63	9.46	2.75	10.4	9.6	11.32	10.58	1.94	4.7	15.2	9.77	9.69	3.60
1988	3.9	8.3	7.94	9.06	3.69	7.8	8.5	11.24	10.54	2.71	6.8	17.3	10.41	9.82	4.49
1989	7.5	10.0	9.40	8.79	2.88	7.1	9.3	12.42	11.61	2.46	5.9	17.6	13.96	10.11	4.36
1990	3.8	9.3	10.32	9.92	3.19	9.3	10.1	11.98	11.87	2.84	5.3	16.1	14.82	11.56	5.07
1991	−4.9	2.4	9.62	9.03	3.58	7.3	8.5	11.83	13.20	3.45	2.4	7.9	11.58	10.08	4.97
1992	−0.2	5.4	10.36	8.57	3.55	6.7	7.7	13.86	13.29	3.63	2.4	5.1	9.74	9.09	4.91
1993	1.6	−2.2	8.55	6.75	3.21	4.6	7.4	10.22	11.23	2.35	4.9	3.5	5.96	7.40	4.01
1994	2.9	0.7	5.84	7.21	2.99	6.6	5.1	8.48	10.56	1.67	6.4	5.0	5.57	8.01	3.94
1995	8.6	4.7	6.60	7.53	3.17	0.6	0.6	10.38	12.22	1.72	8.0	7.2	6.77	8.16	4.15
3rd qtr.1995	3.3	5.3	6.12	7.35	3.11	0.0	0.5	10.52	11.79	1.64	5.6	8.3	6.87	8.09	4.06
4th qtr.1995	8.8	4.7	6.14	7.10	3.25	0.9	2.1	10.80	11.59	1.77	5.6	9.4	6.71	7.77	4.04
1st qtr.1996	7.8	3.4	4.47	6.55	3.10	−1.0	2.3	9.88	10.57	1.74	5.7	10.1	6.26	7.72	4.15
2nd qtr.1996	7.7	0.8	3.96	6.51	3.02	−0.9	3.5	9.01	9.89	2.24	6.5	9.9	6.06	8.06	4.06
Sept. 1995	3.3	5.5	5.98	7.34	3.19	0.6	1.5	10.26	11.49	1.81	5.5	8.4	6.83	7.92	4.06
October	0.0	3.1	6.89	7.47	3.31	0.5	1.6	10.69	11.94	1.76	5.2	9.0	6.81	8.09	4.04
November	2.2	4.0	5.90	7.06	3.20	0.5	2.0	10.60	11.64	1.81	6.7	9.4	6.73	7.76	4.05
December	8.8	4.7	5.80	6.76	3.23	1.6	2.6	10.61	11.18	1.74	5.9	9.8	6.57	7.46	4.04
January 1996	5.7	4.1	4.70	6.44	3.08	0.4	2.6	10.01	10.47	1.86	5.4	10.5	6.45	7.41	4.19
February	4.8	3.0	4.42	6.58	3.11	−1.4	2.3	9.84	10.54	1.67	6.2	10.0	6.24	7.72	4.06
March	7.8	3.4	4.27	6.64	3.10	−2.1	2.1	9.80	10.71	1.90	5.5	9.8	6.14	8.05	4.19
April	4.5	1.9	4.00	6.51	3.02	−1.9	2.5	9.62	10.35	2.14	5.7	10.0	6.09	8.05	4.02
May	6.2	1.9	3.90	6.46	3.01	−0.9	3.6	8.84	9.72	2.25	6.4	9.8	6.12	8.09	4.08
June	7.7	0.8	3.98	6.56	3.02	0.1	4.4	8.65	9.59	2.33	7.4	9.9	5.94	8.05	4.15
July	4.6	−0.1	3.84	6.46	3.15			8.66	9.45	2.48	7.1	9.0	5.80	7.91	4.21
August			3.98	6.35	3.20			8.70	9.50	2.48	7.5	9.4	5.84	7.82	4.12

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 24 1996

IN BRIEF

France Télécom to firm Italy link

France Télécom said it wanted to secure its telecommunications tie-up with Olivetti but refused to comment on a report that it was planning to take a stake in the troubled Italian information technology company. The French company reached a preliminary agreement last November to take a 49 per cent stake in Infostrada, the Italian joint venture between Olivetti and Bell Atlantic of the US. Page 17

Investor considers listing in New York
Mr Claes Dahlbäck, chief executive of Investor, the main investment vehicle of Sweden's Wallenberg family, said the group was considering a New York listing. The listing could take place within a year. Page 16

European weakness dents Holderbank
Holderbank, the world's biggest cement company, underlined the impact of the recession gripping Europe's construction industry by reporting a 9.5 per cent drop in first-half operating profits to SFr494m ($398m). Page 16

Tractebel advances 10% midway
Tractebel, the Belgian energy and engineering group shortly to come under full control of Belgium's biggest holding company Société Générale de Belgique, increased net first-half profits 10.8 per cent to BFr7.51bn ($242.2m). Page 17

Merger speculation over Swedish banks
Shares in Sweden's two largest banks, Svenska Handelsbanken and Skandinaviska Enskilda Banken, were the target of intense investor speculation following Swedish press reports that the two had held tentative merger talks. Page 17; World stocks, Page 34

Asset disposal bolsters SCMP
South China Morning Post (Holdings), publisher of Hong Kong's leading English language daily, reported a 20 per cent rise in annual net profits to HK$695.87m (US$90m), including an exceptional gain of HK$180.99m from the sale of the company's former headquarters. Page 18

Loewen set to reject $2.5bn SCI offer
The board of Vancouver-based Loewen Group is expected to give a sharp rebuff at a meeting today to an unsolicited all-share takeover proposal from Service Corporation International, Loewen's arch-rival in the funeral services industry, which is valued at US$2.5bn. Page 19

Inchcape predicts upturn
Sir Colin Marshall, brought in as chairman by Inchcape, the UK-based international trading group, in January to revive profits, predicted a sharp second-half pick-up as restructuring began to pay off. Page 20

Lloyds TSB looks for acquisitions
Lloyds TSB, the UK retail bank, is still looking for insurance acquisitions, Sir Brian Pitman, chief executive, said. He also finalised details of the group's £1.68bn ($2.6bn) buy-out of minority shareholders in Lloyds Abbey Life, the life assurer. Page 20

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	810	+	10
Falls			
[illegible]	71	-	1.2
Hochtief	520	-	8
Linde	958	-	8
Porsche	1045	-	30
SAP	255.5	-	3.5
NEW YORK ($)			
Rises			
Blyth Inds	48¼	+	2¾
Ogden	21⅝	+	1
PHP Hthcare	30¼	+	1¼
Falls			
Carpenter Tech	35⅝	-	2⅝
[illegible]	23¼	-	12⅜
[illegible]	24¼	-	1¾
LONDON (Pence)			
Rises			
[illegible]	382½	+	20
[illegible]	472½	+	26
Falls			
[illegible]	108	-	40½
Berisford	161½	-	7
[illegible]	27	-	[illegible]
[illegible]	170	-	33
TORONTO (C$)			
Rises			
[illegible]	11.00	+	1.00
[illegible]	8.70	+	0.85
[illegible]	28.78	+	2.00
Falls			
[illegible]	20.25	-	1.20
[illegible]	8.25	-	0.60
[illegible]	10.00	-	1.05
PARIS (FFr)			
Rises			
Bongrain	2335	+	25
[illegible]	726	+	11
Falls			
Accor	644	-	6
[illegible]	327	-	10
[illegible]	1250	-	31
Promodes	1287	-	19
HONG KONG (HK$)			
Rises			
HK Ferry	14.30	+	2.30
[illegible]	2.25	+	0.30
[illegible]	5.75	+	0.70
[illegible]	3.425	+	0.25
Falls			
[illegible]	1.11	-	0.16
[illegible]	0.78	-	0.16
BANGKOK (Baht)			
Rises			
[illegible]	27.75	+	2.50
[illegible]	20.00	+	6.00
[illegible]	27.25	+	3.25
[illegible]	29.50	+	2.25
Falls			
Alphatec El	224.00	-	20.00
Kulthorn Kirby	38.00	-	4.00

New York & Toronto prices at 12.30. Tokyo closed.

Peugeot upbeat despite 50% decline

By David Owen in Paris

Peugeot Citroën, the French car group, yesterday followed arch-rival Renault in reporting a sharp downturn in first-half profits. But unlike Renault – which warned of a full-year loss – Peugeot was comparatively upbeat about second-half prospects, pointing to a number of factors that left it "better placed for the future".

Net income for the six months to June 30 fell more than 50 per cent, from FFr1.22bn to FFr602m ($117.2m), with operating profits tumbling by a similar proportion, from FFr2.78bn to FFr1.34bn. The result was achieved on turnover ahead 3 per cent from FFr86.4bn to FFr89bn.

The market appeared to focus on the disappointments of the first half, rather than the promise of the second; the shares fell FFr14, or 2.4 per cent, to FFr569.

Renault shares also dropped more sharply than the 0.59 per cent decline registered by the Paris stock market's benchmark CAC-40 index, declining FFr1.20, or 1 per cent, to FFr118.

Mr John Lawson, motor industry analyst with Salomon Brothers in London said the figures had fallen short of his target of FFr750m. However, he said he would not reduce his full-year forecast of FFr1.64bn for net income, as he had expected to do. "They are so confident the second half will be better," he said.

The group blamed the first-half slide on intensifying competition, particularly in its home market of France.

It also said exchange rate fluctuations had wiped FFr300m off operating profits.

These had not "really altered the competitive advantage given to some constructors by previous devaluations, such as that of the lire", it said.

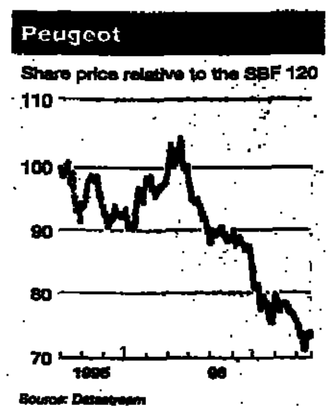
However, the carmaker said it expected currency fluctuations, along with the effect of lower interest rates, to have a "positive impact" on second-half results.

This view was generally shared by analysts. "Since the second half of 1992, there has been a consistent trend of year-on-year currency negatives," said Mr Christopher Will, a London-based analyst with Lehman Brothers. "We seem to be at a point where some of that is about to be given back."

Analysts also pointed out that some of the expected reduction in interest costs was attributable to the sharp cut in net debt. This came down from FFr9.82bn at the end of 1995 to FFr5.65bn, leaving end-June 1996 gearing at 10 per cent.

More importantly, the company pointed to positive trends in European market share. This, it said, had reached 12.7 per cent in July and August – a period in which French sales have motored ahead – albeit at fine margins – in anticipation of the ending of a government incentive scheme on September 30.

In the first six months of the year, Peugeot's European market share was 6.9 per cent, down from 7.1 per cent a year earlier, while Citroën's dropped to 4.8 per cent from 4.9 per cent.



Source: Datastream

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US oil groups announce merger

By Christopher Parkes in Los Angeles

Diamond Shamrock and Ultramar, the regional oil refining and retailing specialists, are to merge in a move which will link their four refineries and networks of more than 4,000 petrol and convenience store outlets.

The stock-swap deal, under which each of Diamond Shamrock's shares will be converted to 1.02 Ultramar shares, was seen on Wall Street as a defensive move to protect both companies against possible hostile takeovers and against invasion of their markets by bigger brands.

However, Mr Roger Hemminghaus, Diamond Shamrock's chairman and chief executive, who will head the new group, said he was looking for expansion in western states, including California, Arizona and Nevada.

The renamed Ultramar Diamond Shamrock Corp, which will have aggregate annual sales of $8bn and a market value of $2.3bn, expects annual cost savings of $75m in 1997 after one-time merger costs of $67m, mostly booked in the current financial year.

Described by the partners as a "merger of equals," the new venture will be based in San Antonio, Texas – Diamond Shamrock territory.

Diamond Shamrock has emerged aggressively from its travails of the late 1980s, when it failed to engineer a merger with Occidental and later split off its oil production and exploration arm as it fought successfully to evade takeover by Mr T. Boone Pickens, the Texan oil magnate.

It recently paid $260m for 660 Stop N Go convenience stores, in keeping with the industry-wide trend towards one-stop shopping for groceries and fuel.

The company has capacity to refine 225,000 barrels of oil a day at two plants in Texas and sells petrol through 2,700 convenience stores – 1,500 owned and operated by the group – in nine states.

Diamond Shamrock is the biggest-selling petrol brand in Texas and is also well known in Colorado and New Mexico.

Ultramar, based in Connecticut, runs one refinery in Quebec, Canada, and another in California, where it sells petrol through 360 mainly conventional petrol station outlets. Its eastern Canada network of 1,400 sites includes 110 wholly-owned convenience stores.

The group is also one of the biggest north American home heating oil suppliers with sales concentrated in eastern Canada and New England.

Although regional brands from independent refining-marketing companies are still strong across the US, incursions by national and international brands-such as BP and Shell have become increasingly common.

Fragile refining margins have prompted many oil groups to seek better results by entering conventional retailing and inviting fast food chains to open outlets on their forecourts.

One result is that Diamond Shamrock, as well as claiming leadership in the Texan petrol market, is also the state's biggest convenience store operator.

Murdoch's son to run News unit

By Bruce Jacques in Sydney

News Ltd, the Australian arm of Mr Rupert Murdoch's News Corporation, has appointed Mr Lachlan Murdoch, the media proprietor's 24-year-old son, as managing director.

The appointment was seen by most analysts as a further indication that Lachlan is being groomed to take over the worldwide business from his father.

It continues the rapid progress of Mr Murdoch's elder son since he returned to Australia in 1994, after some experience in US journalism and Australian jackerooing – working on an outback livestock station – to begin a career progression mapped out by his father.

The Princeton-educated Lachlan started in Australia as general manager of the News offshoot, Queensland Newspapers. In July last year he became publisher of the flagship News publication, The Australian, before becoming deputy managing director of the company in December.

The latest promotion means Lachlan will have operational management of News's activities in Australia.

These include the country's biggest metropolitan and regional newspaper group, the fledgling Foxtel pay-TV operation and a project to create Fox film studios in Sydney. The group is also active in online technology and has a separately listed magazine and printing offshoot.

But some observers cautioned that the other Murdoch children – elder sister Elizabeth and younger brother James – could also yet emerge from careers outside the News group to press their claims to succeed their father.

For years Mr Murdoch has hoped that one or more of his children would come to prominence in the business. The News Corp chairman has emphasised that this would only happen if they have the ability to do so.

Lachlan replaces Mr Ken Cowley, the long-serving News Ltd managing director, who will become the company's executive chairman.

However, Mr Cowley said yesterday he would remain "intimately involved" in the business.

"My primary function will be to shape the strategic direction of the group's businesses at a time when traditional media is confronting its greatest challenges from technological change and increased competition," he said.

"Lachlan will concentrate on managing the News group operations and will report to me."

Mr Cowley has recently been spending more time overseeing the company's troubled half-owned airline group, Ansett. News's longstanding partner in Ansett, TNT, the Australian distribution company, is in the process of executing a A$475m (US$377m) deal to sell its stake to Air New Zealand.

Mr Cowley also holds several other directorships and is a member of News Corp's 12-person international executive committee, where he serves with both Rupert and Lachlan Murdoch.

Picture: Reuters
Moving up: Lachlan Murdoch (above) is seen as heir apparent

Shake-up in rules at 'nouveau marché'

By Andrew Jack in Paris

The French stock market is to modify the rules governing its "nouveau marché" for fast-growing companies. The move is a reaction to intensifying competition from rival European stock markets.

The authorities will demand quarterly reporting of some information from all businesses quoted on the exchange, rather than simply the half-yearly data they now must provide. The aim is to improved transparency and liquidity.

They will also require sponsoring institutions of the quoted companies to hold a reserve of the shares, for release to the market during periods of high demand. This would help stabilise price volatility.

The modifications – just over six months after the market was launched – come at a time of intensifying competition between new equity markets, with Easdaq, the Belgian-based pan-European growing companies market, set to join the fray at the end of the month.

They also respond to frustration from investors who have bought shares in companies quoted on the nouveau marché, only to witness prices drop sharply. The average value of the dozen businesses introduced to the market since its launch has fallen 9 per cent. Some, such as Infonie, an Internet service, have proved even worse.

Mr Jean-François Théodore, chairman of the Société des Bourses Françaises (SBF), operator of the French stock markets, stressed yesterday the companies had performed better than competitors, including French groups quoted on the US Nasdaq exchange. He said there would be a wave of new listings before the end of the year, doubling the total to about 25. "You don't judge a market by one company or by a few months of its operations."

Changes to the market will require companies to publish at least turnover figures every quarter, and full account details in the official corporate bulletin, as is required on the main Paris exchange. Also, the first "fixing" – when daily offers to buy and sell shares are matched – will be later than the current 9.30am.

Surprise profit warning batters Berisford shares

By Jane Martinson in London

Berisford, the UK-based kitchens and joinery group, lost almost a third of its value on the stock market yesterday as it warned that UK industrial action and problems in the US would hit this year's profits.

The announcement prompted some analysts to cut £10m from pre-tax profit forecasts, to about £24m for the year. Next year's profits have also been downgraded by £10m to about £30m. The 40½p drop to 106p in the share price reflected surprise at the extent of the group's problems.

Berisford had warned of problems at Magnet, its UK manufacturer of doors and window frames. However, the disclosure of difficulties at Welbilt, its US commercial kitchens maker, came just three months after the company said the subsidiary was doing well.

Several analysts criticised Berisford's management for "taking its eye off the ball". One said the market was "losing patience with the management".

Berisford, a former commodities and property group, has seen varied fortunes in recent years. It only returned to the black and the dividend list last year after five years of losses. During the period it has been transformed into a kitchens and joinery company.

Mr Alan Bowkett, who became chief executive in 1992, said: "Personally, I am distressed to have to give this news and am committed to getting the business moving forward again." However, he said the problems in the US had been "quite surprising".

He offered to resign "at no cost to the company" if the shareholders wanted him to. Mr Bowkett, who has a three-month contract, has 2m shares in the company, about 1.3 per cent of the total.

At the group's interim results announcement in June, he said Welbilt, bought in January 1995, was "going from strength to strength". Just before this, the shares were at a year high of 220p, up from 45p when the new management arrived.

Yesterday, Berisford warned that a marked downturn in US demand, combined with problems in introducing a computer system, would dent Welbilt's profits by about £2.8m in the year to September 30.

At the same time, a proposed strike at Magnet's Darlington factory, which led to 300 of the 375 workforce being dismissed at the beginning of this month, is expected by Berisford to cut a further £3.5m from profits.

Mr Andrew Hollins, analyst at Kleinwort Benson, said: "The market is enormously disappointed and the most worrying feature is the future prospect for Welbilt."

The US problems are more recent. Mr Bowkett said US demand had dropped in the past six to eight weeks, blaming lower consumer spending in the fast food outlets supplied by Welbilt. The problems had escalated following the introduction of a computer system at Cleveland, a Welbilt subsidiary.

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COMPANIES AND FINANCE: EUROPE

Investor considering listing in New York

By Paul Abrahams

Investor, the main investment vehicle of Sweden's Wallenberg family, is considering a New York listing. Mr Claes Dahlbäck, chief executive, said the board would make a decision this autumn, and the listing could take place within the next 12 months.

"We are trading at a 30 per cent discount to our stakes in other companies. That is partly because Swedish institutions have limits on how much they can own in any one company. We need to internationalise our shareholding base, and some funds will only invest in groups with US listings," he said.

Mr Dahlbäck admitted the company would be a curiosity for Anglo-Saxon investors. It has holdings in a variety of Swedish companies, including Astra, the drugs group; Ericsson, the telecoms company; and Incentive, another holding company with stakes in ABB, the engineering group, and Electrolux, the consumer products company.

Mr Dahlbäck acknowledged such holding companies were unfashionable. But in spite of possible changes to Swedish laws on capital gains tax – laws which had prevented a cost-effective break-up of Investor – there was no intention of dismantling the group.

"However, possible changes in tax law might make a share buy-back possible. We might look at that – perhaps up to 10 per cent of shares," he said. The company has net cash of SKr11bn ($1.7bn) after the flotation this year of a 55 per cent stake in Scania, the trucks group.

"We do have a *raison d'être*. We are not a conglomerate, because we do not manage our investments. We are an investment trust or an industrial holding company. There are no synergies between the investments, and we're proud of that," Mr Dahlbäck said. "We view ourselves as a mixture of Warren Buffett, Berkshire Hathaway and a Japanese *keiretsu*."

He said Investor wanted to rebalance its portfolio, making it more growth-oriented. It was targeting medical technology, telecoms and media, although the group had little experience in this area. It also wants to diversify geographically. About 10 per cent of investments should be outside Sweden by the end of the decade, compared with 2 per cent now.

The company's main purpose was to provide above average returns, he said. "The company has made a return of at least 20 per cent in the past five, 10, 15 and 20 years. Pick any period you want – we have done it," Mr Dahlbäck said.

The group consistently outperformed the Swedish stock market by about 4 per cent a year, he added. One reason for this record was that the company worked as active owners. "We are prepared to take a long-term perspective," said Mr Dahlbäck. "And our board provides huge expertise – more than 200 years of top-class business experience." Board members include Mr Percy Barnevik, ABB chairman; Mr Bo Berggren, chairman of Stora, the paper group; Mr Hakan Mogren, chief executive of Astra; and Mr Anders Scharp, chairman of SKF, the world's biggest maker of roller-bearings.

Ashley Ashwood

Claes Dahlbäck: Investor wants to rebalance its portfolio

Holderbank hurt by European weakness

By William Hall in Zurich

Holderbank, the world's biggest cement company, underlined the impact of the recession gripping Europe's construction industry by reporting a 9.5 per cent drop in first-half operating profits to SFr494m ($398m), in a period when it increased cement capacity more than a fifth, to 75m tonnes a year.

Group turnover rose 13.8 per cent to SFr4.5bn, reflecting the consolidation of new companies. Income from the sale of non-strategic assets more than trebled to SFr128m, offsetting the SFr60m increase in financing charges, and net profit after minorities fell only 8 per cent to SFr217m.

However, earnings per bearer share fell 21.5 per cent to SFr30.50, reflecting the dilutive effects of last year's restructuring.

Holderbank has a bigger exposure to fast-growing developing countries than its competitors. However, its traditional strength in this area was insufficient to offset the effects of a cyclical downturn in Europe, which still accounts for more than half the group's sales.

Holderbank's earnings have risen steadily throughout the 1990s but Mr Thomas Schmidheiny, chairman and controlling shareholder, said yesterday that 1996 would not be a "peak year" for Holderbank.

The difficult European economic situation had been compounded by the "unexpectedly harsh winter", which halted many construction projects for several months.

Holderbank's decision late last year to strengthen its position in Switzerland and northern Italy by buying control of Société Suisse de Ciment Portland and integrating it into the group, had increased its exposure to Europe.

In Switzerland, cement consumption fell 12 per cent. Cement deliveries fell 20 per cent in Germany and 40 per cent in Slovakia. In northern Italy they rose 7 per cent, but this was more than offset by low prices.

Holderbank said European profits would be below budget this year.

The downturn in Holderbank's European operations overshadowed the buoyancy of its business in North and South America.

US sales of cement and clinker rose 6.6 per cent, to 6.2m tonnes, and in Latin America sales rose nearly a fifth, to 7.1m tonnes, primarily reflecting the first-time consolidation of a Venezuelan company.

Tchuruk outlines his vision of the future

David Owen hears the Alcatel chief's plans for the possible arrival of Thomson

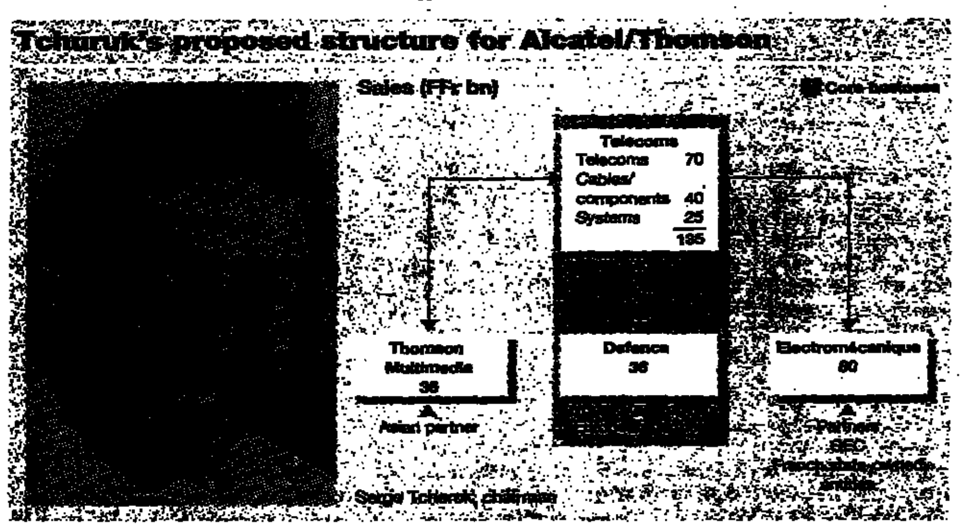
A European industrial structure of impressive breadth and scale: at its heart is telecommunications, while its limbs are planned "large international partnerships" in the defence, consumer electronics and electromechanics sectors.

This, in broad outline, was the vision with which Mr Serge Tchuruk, chairman of Alcatel Alsthom, sought last week to counter market scepticism about the wisdom of his company's decision to bid for Thomson, France's state-controlled electronics group.

Alcatel is competing with Lagardère, the French missiles-to-magazines conglomerate, for control of Thomson, which the French state is privatising.

The Alcatel chairman painted a picture of a decentralised organisation capable of creating value by means of technological transfers between its main activities – activities that he argued were increasingly interlinked – and by exploiting its global negotiating muscle.

Mr Tchuruk's plans follow previously announced proposals to merge GEC Alsthom, the power engineering and transport equipment joint venture, with Framatome, the nuclear plant and fuel manufacturer.



"We must not lose sight of the fact that Alcatel is – and remains – a company that is a world leader in the field of telecommunications," he said. But telecommunications were "penetrating pretty deeply into certain industrial sectors such as defence and multimedia", he added.

In defence, he argued, the increased emphasis in modern warfare on speed of action and the need to be able to strike with extreme precision meant "communication techniques ... are becoming the key to defence systems". Consequently, increasingly large proportions of hard-pressed defence budgets were being spent on electronics.

In such a context, Mr Tchuruk said, Thomson seemed "favourably positioned": on his analysis, at least 80 per cent of Thomson-CSF's defence activities were in priority sectors.

Nevertheless, a rapprochement with Alcatel could further strengthen Thomson's positions both in the area of software, which was becoming a "determining element" in the defence arena, and in space. Space was becoming an "extremely powerful" factor in defence systems with applications in the fields of intelligence, observation, detection and others.

Moreover, the need to reinforce Europe's competitive position against the leading US defence companies made it essential that the restructuring of Europe's defence industry should be accelerated. "You would have to add up the sales of nearly all the biggest European companies to reach the size of Lockheed Martin [the largest US competitor in the sector]," he said.

A partnership involving Alcatel could also benefit the Thomson Multimedia consumer electronics business. It would allow it to get the most from the move towards digital technology. The consumer electronics industry, the Alcatel chairman said, was "at the end of one era and the start of another ... It is the end of the analogue era and the beginning of the digital one."

However, he said, Thomson Multimedia had weaknesses. One was its relatively small presence in Asia. An Asian partner could help in this respect, and help to improve the competitiveness of the company's products.

Mr Tchuruk emphasised Alcatel had no wish to take on the day-to-day management of activities outside its core telecoms operations. The planned defence, consumer electronics and electromechanical partnerships would, he said, be "independent enterprises", although defence in particular would be "fairly intimately linked" with the telecoms core.

"We must build enterprises that have their own real autonomy", he continued. "I have no pretensions to be a federation."

He acknowledged there were "important difficulties" in managing partnerships effectively. "You must avoid the sin of naïveté," he concluded. "It is important that the new enterprise should have no internal conflicts of interest."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Pool for Trading on 24.09.96: Pool purchase price £/MWh	Firm Prices for Trading on 27.09.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.08	9.00	9.00
0100	12.08	9.03	9.03
0130	12.08	8.96	8.95
0200	12.08	8.95	8.95
0230	12.08	8.95	8.95
0300	9.03	8.95	8.95
0330	9.08	8.88	8.88
0400	9.08	8.95	8.95
0430	9.03	8.95	8.95
0500	9.03	8.88	8.88
0530	11.57	8.87	8.87
0600	9.03	8.89	8.89
0630	11.57	9.03	9.03
0700	13.62	9.04	10.85
0730	16.88	13.24	16.09
0800	30.57	21.46	23.47
0830	41.90	18.87	21.62
0900	55.88	25.24	29.42
0930	63.69	53.61	59.45
1000	68.64	61.63	68.89
1030	64.67	68.56	76.94
1100	65.24	78.74	87.70
1130	66.10	82.00	91.45
1200	68.69	82.82	92.41
1230	63.49	79.82	88.98
1300	53.61	67.05	75.14
1330	37.27	42.63	48.59
1400	32.16	35.41	40.45
1430	28.68	27.22	31.57
1500	28.48	28.20	30.28
1530	32.66	25.96	30.05
1600	44.58	27.28	31.87
1630	69.45	29.89	34.79
1700	91.45	34.70	39.80
1730	84.76	31.63	36.11
1800	54.58	22.30	25.76
1830	37.93	18.41	20.88
1900	51.84	15.75	17.77
1930	79.64	9.28	9.29
2000	84.98	9.50	9.50
2030	66.15	20.66	28.05
2100	38.97	22.70	25.23
2130	19.99	22.46	24.90
2200	14.72	21.01	23.17
2230	17.16	15.32	17.21
2300	17.10	15.20	17.06
2330	13.46	15.18	17.02
2400	12.42	12.62	14.47

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.89/MWh becomes 1.589p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject [illegible]

French look to secure Olivetti links

By Andrew Hill in Milan and David Buchan in Paris

France Télécom said yesterday it wanted to secure its links with Olivetti, but refused to comment on a report that it was planning to take a stake in the Italian information technology company.

The French company reached a preliminary agreement last November to take a stake in Infostrada, the joint venture between Olivetti and Bell Atlantic, of the US, which aims to challenge the dominance of Telecom Italia, the Italian state-controlled operator.

Talks are under way about formalising the agreement, which would give France Télécom a 49 per cent stake in Infostrada. Olivetti and France Télécom reached a draft agreement last month to take a 70 per cent stake in the domestic phone network of Ferrovie dello Stato, the Italian railway company.

France Télécom, which is preparing for privatisation, is understood to be concerned that the uncertainty over Olivetti's future could provide an opening for a competitor to buy into the Italian market through the company.

Doubts about Olivetti's financial position and a series of boardroom changes have undermined the share price in recent weeks, and analysts said any attempt by France Télécom to buy a stake might deter potential investors in its privatisation.

France Télécom is also said to be interested in Omnitel Pronto Italia, the unquoted mobile phone operator in which Olivetti has a 41 per cent stake. However, Omnitel's statutes prevent investors from outside the original consortium from buying into the company.

Last week, Mr Francesco Caio resigned as chief executive of Olivetti, only a fortnight after Mr Carlo De Benedetti, Olivetti's largest shareholder, stepped down as chairman in a row over strategy.

Mr Roberto Colaninno, who takes over as chief executive this week, is an ally of Mr De Benedetti, who established close contact with France Télécom before resigning. Mr Caio – a former Omnitel chief executive – was closer to Olivetti's US allies, including Bell Atlantic. Bell Atlantic, which has a stake in Omnitel, declined to comment yesterday.

Mr Colaninno has asked for a month to examine Olivetti's strategy, aimed at transforming the company into a broad-based information technology and telecoms group.

One of his priorities will be to find a partner for the personal computer subsidiary, which is said to have attracted a number of speculative offers already. Mr Gary Klesch, who heads a debt trading company, refused to comment yesterday about reports that he had already tabled a bid for the PC unit.

Merger speculation over Swedish banks

By Greg McIvor in Stockholm

Shares in Sweden's two largest banks, Svenska Handelsbanken and Skandinaviska Enskilda Banken, were the target of intense investor speculation yesterday following Swedish press reports that the two had held tentative discussions over a possible merger.

The banks declined to comment, dismissing the reports as "rumours". But their refusal to issue denials heightened the belief in Stockholm that talks were in progress, fuelling heavy trading in their shares.

Both stocks rose sharply initially, before falling back in later trading, although still outperforming a 1.3 per cent fall on the Stockholm bourse. Handelsbanken's most-traded A share rose 0.6 per cent to SKr155.50 and SE-Banken's A share advanced 0.8 per cent to SKr59.50.

A tie-up between the two would create by far the biggest bank in the Nordic region, with total assets of SKr915bn ($138bn) and combined operating income of SKr29bn. It would mark the initial step in a long-awaited restructuring of the Swedish banking sector, which has shrugged off the ill-effects of a loan-loss crisis in the early 1990s.

The move would also mirror a broader Nordic rationalisation trend which last year saw Finland's two largest banks, Kansallis-Osake-Pankki and Unitas, merge to form Merita.

The talks, said to be at a preliminary stage, were reported to have been initiated by SE-Banken. Controlled by the Wallenberg industrial dynasty, it recently lost the mantle of Sweden's leading bank to Handelsbanken after suffering deep problems during the banking crisis.

Analysts suggested the two would be a good fit. Handelsbanken's focus is retail banking, where it has a wider Nordic presence than SE-Banken. SE-Banken is strongest in investment banking, through its highly profitable Enskilda Corporate division.

Mr Peter Thorne, banking analyst at Paribas Capital Markets in London, said a merger would be "a very logical move". He predicted it would provide the firepower to compete against bigger European banks once capital markets were integrated following the introduction of a European single currency.

"[Handelsbanken and SE-Banken] need all the advantages of scale and weight that they can get. A tie-up would mean there was one dominant bank at the national level, following the trend we have seen elsewhere in Europe," he said.

Another compelling argument is the stagnant domestic lending market, where fierce competition has precipitated a steady erosion of net interest margins for all Sweden's big banks.

The biggest challenge is likely to be bridging the cultural divide between the two. SE-Banken has a reputation for a more centralised and pro-active approach to lending. Handelsbanken, which is controlled by a number of Swedish and foreign institutions, has tended to pursue a more decentralised but cautious strategy.

Each of the two plays an important role in wider financial spheres which exert a powerful ownership role in many of Sweden's best-known international corporations.

Last year SE-Banken made operating profits of SKr2.6bn from net income of SKr15bn. Handelsbanken reported operating profits of SKr5bn on net income of SKr13.7bn.

Tractebel rises 10% ahead of SGB deal

By Neil Buckley in Brussels

Tractebel, the Belgian energy and engineering group, announced net profits up 10.3 per cent to BFr7.51bn ($242.2m) in the first half of the year. The group is shortly to come under full control of Belgium's biggest holding company, Société Générale de Belgique.

Net results were flattered by an increase in extraordinary gains, from BFr188m to BFr862m, which was largely because of the BFr975m flotation of part of Tractebel's stake in Sipex, an integrated circuits company which is quoted on the US Nasdaq exchange.

The net current result before exceptional gains was flat at BFr6.54bn, against BFr6.62bn last year, with a small increase in the pre-tax profit offset by a higher tax charge. Group turnover increased 6.5 per cent from BFr151.7bn to BFr161.7bn.

SGB announced last week that it was purchasing stakes totalling 25 per cent in Tractebel from Groupe Bruxelles Lambert, Belgium's second-largest holding company, and Royale Belge, the insurance group, for BFr49bn, or BFr14,500 a share.

The deal takes SGB's total stake in Tractebel to 65 per cent, although it already had de facto control with 40 per cent of shares and the right to appoint the chief executive. A further 2 per cent is held by AG Group.

In spite of speculation before SGB's purchase that it would be obliged by Belgium's Banking and Finance Commission to make a full bid for Tractebel, the remaining 33 per cent of the company will continue to be traded on the Brussels bourse. Tractebel shares closed yesterday at BFr14,750 – down 0.33 per cent on the day – before the company released its results.

Although Tractebel's results are usually higher in the first half than the second, owing to the seasonal nature of some of its activities, the company expects full-year profits to exceed those for 1995.

The group, which controls 44.6 per cent of Electrabel, the electricity generator and utility that is Belgium's largest company, said it was expanding internationally, with stakes in electricity and gas projects in Chile, Thailand, Singapore, the US, Kazakhstan and China.

Daimler to sell postal equipment subsidiary

By Wolfgang Münchau in Frankfurt

Daimler-Benz, the German transportation group, plans to sell parts or all of its AEG Electrocom subsidiary, a producer of postal automation equipment, by the end of the year.

AEG Electrocom is the world leader in equipment that allows post offices to sort letters automatically. The company had sales of about DM1bn ($660m) last year and made a small profit, but Daimler said it no longer formed a core part of the group.

AEG Electrocom is the last company with the AEG name, and one of the few groups to have survived last year's dismantling of the industrial conglomerate. It was formed in 1994 after AEG's acquisition of Electrocom Automation, a Texas-based group.

Daimler said it had received approaches from 24 interested parties.

AEG Electrocom achieved an operating profit of DM26m in 1995. In the official report outlining the merger details of AEG's surviving subsidiaries with Daimler-Benz, its operating profit is forecast to rise to DM85m this year, DM110m in 1997 and DM123m in 1998.

For Daimler-Benz, the move is a further step in a series of disposals, including several other AEG businesses in the industrial automation and energy sectors. Other sales included Fokker, the Dutch regional aircraft maker, and Dornier, the German regional aircraft group.

Daimler sold most of these units because they were loss-makers. The reason for the sale of Electrocom is the lack of strategic fit with the group's core business, redefined as activities in the wider field of transportation.

Apart from Electrocom, only three other AEG operations survived within the Daimler-Benz group.

EUROPEAN NEWS DIGEST

UAP to place Scor stake on NYSE

Union des Assurances de Paris, the French insurance group, yesterday said it would place up to 30 per cent of Scor, the reinsurer, on the New York Stock Exchange, in a deal expected to raise about $300m. The Securities and Exchange Commission was last night on the verge of giving final approval to the listing document for the secondary offering, triggering roadshows to investors in the US and other countries from today. UAP plans to offer 7m of its shares, representing 26 per cent of Scor's capital, while leaving a further 1m – or 4 per cent – with its sponsoring banks for the placement, in case of excess demand. It will use the proceeds to reduce its debt.

Axa and AGF, two other French insurers which formed part of a shareholders' pact, sold their shares in Scor earlier this year. UAP said it would continue to hold its remaining 10 per cent stake in the company after the sale in the long-term, and had developed a number of important commercial links with Scor. Goldman Sachs is global co-ordinator for the operation, and J.P. Morgan is joint co-ordinator. *Andrew Jack, Paris*

Gyll denies rift at Volvo

Mr Sören Gyll, chief executive of Volvo, the Swedish automotive group, yesterday denied there was a power struggle within the company's leadership over its direction. He was responding to an article in the business weekly Veckans Affaerer, which said there was a conflict between those who wanted to radically change Volvo's image and more conservative elements. "Volvo's board, group management and unit management are unanimous behind the strategy which was decided in 1994 and is now being carried out," Mr Gyll said. *AFX News, Stockholm*

Italian fund buys into Ferrari

Fondo Interbancario d'Investimento Azionario (Fidia) is to buy 3 per cent of Ferrari from Fiat for L22.4bn ($14.7m). Fidia is an investment fund owned by Mediobanca, Banca di Roma, Credito Italiano and Banca Commerciale Italiana. *AFX News, Milan*

Offers for Azucarera stake

Banco Central Hispanoamericano said it had received three offers to buy all of its 49.9 per cent stake in Sociedad Azucarera de Espana, a Spanish sugar group, for a total of about Pta21bn ($165m). BCH said it had received an offer from Caja Salamanca to buy a 24.9 per cent stake in Azucarera; one from Ebro Agricolas for 21 per cent, and another from state-owned food group Mercasa for 3.1 per cent. All the offers are of Pta5,100 a share. *AFX News, Madrid*

Tabacalera in Tabaquiera bid

Tabacalera, Spain's state-controlled tobacco group, yesterday entered a bid for control of its Portuguese counterpart, Tabaqueira, in competition with other international groups. The Spanish group has joined with the private-sector company Empresa Madeirense de Tabaco, which operates in the Portuguese islands of Madeira and the Azores, to bid for the 65 per cent stake being offered for sale by the Portuguese government in the first stage of privatisation. Tabaquiera controls about 75 per cent of the Portuguese market. The Portuguese authorities are expecting at least Es32bn ($207m) from the sale. *David White, Madrid*

COMPANIES AND FINANCE: ASIA-PACIFIC

SCMP bolstered by asset sale

By Louise Lucas in Hong Kong

South China Morning Post (Holdings), publisher of Hong Kong's leading English language daily, yesterday posted a 20 per cent rise in net profits, from HK$580.06m to HK$695.87m (US$90m) in the year to June 30.

However, the results were flattered by an exceptional item of HK$180.99m from the sale of the company's former headquarters building. They are further distorted by the contribution of TVE, a property and media group acquired by SCMP earlier in the year. Ms Elizabeth Gouw, research analyst at UBS Securities, estimates the two and a half month contribution from TVE at HK$15m.

Robert Kuok: expects improvement during year

The figures show that SCMP's strength in the niche market of English readers has given it the edge over competitors in surviving last year's increase in newsprint costs and dwindling advertising revenues.

"They've emerged from this past year reasonably unscathed," said Mr Rob Fung, analyst at HSBC James Capel. He said the cost had been a drop in operating margins from 55 per cent to a still-enviable 42 per cent.

While the territory's Chinese language newspapers were engaged in a price war, the SCMP was able to lift its cover price by HK$1 to HK$7 to offset the rises in newsprint costs. It won another advantage on June 30 when the Eastern Express, Hong Kong's third English language daily, folded.

SCMP painted an upbeat picture for the coming year. Mr Robert Kuok, chairman, expects an improvement in the economy as retail and property markets pick up, unemployment falls and visitors descend on Hong Kong for celebrations around the June handover to China, and the IMF conference in September. The group will also benefit from lower newsprint costs and a full year's contribution from TVE.

Analysts, who are broadly looking for a 20 per cent rise in profits next year – after stripping out last year's exceptional item – support the rosy outlook. "Advertising volume growth should be strong . . . they've bottomed out from February 1996 and the latest independent numbers confirm that for the first seven months of the year SCMP advertising revenues have been up around 10 per cent year-on-year," Mr Fung of HSBC said.

Excluding the exceptional item, SCMP's earnings per share fell 14.9 per cent from 38.67 cents to 33.22 cents for the year to June 30. The directors are recommending a final dividend of 13 cents a share, maintaining last year's final payout.

Bank Negara puts date on domestic share listing

By Manuela Saragosa in Jakarta

Bank Negara Indonesia, Indonesia's largest bank, kicked off a domestic roadshow for its initial public offering yesterday with an announcement that it plans to list shares on domestic exchanges on November 29.

The state-owned bank is looking to sell 1.085bn shares, or 25 per cent of its paid-up capital. Officials familiar with the IPO say the bank needs to raise about Rp800bn (US$345m). Pricing will be decided on October 24, and the share offer period will be November 6–11.

BNI president director, Mr Widagdo Sukarman, said the proceeds would be reinvested in the bank, a move which marks a departure from the government's usual trend of using privatisations to pay off high-interest foreign debt. The stock will be listed in Jakarta and Surabaya and will include an international tranche.

Mr Widagdo said the shares' pricing would "not be too aggressive". Last year, Telkom, the Indonesian domestic telecoms carrier, was forced to slash the price and size of its offer after international demand for the stock failed to materialise.

An international roadshow for BNI will run from October 14–24, when the bank, and Indonesia's state banking sector, will come under the scrutiny of international investors. The choice of a bank to follow the disappointing Telkom IPO is regarded as controversial.

The banking sector's problem loans amounted to 10.4 per cent of outstanding loans at the end of last year, with the average for the private banks standing at 4.9 per cent. By contrast, BNI's problem loans were 7.2 per cent, or Rp1,3894bn, of its outstanding loans last year, against 5.3 per cent in 1995.

The bank plans to write off between Rp350bn and Rp400bn in problem loans each year. Mr Nono Purnomo, BNI director, said BNI's loan portfolio was expected to grow by between 14 and 17 per cent this year.

BNI expects to post net profit of between Rp320bn and Rp330bn for 1996, after Rp274bn in 1995 and Rp146.2bn in the first six months. Revenues rose 14 per cent to Rp663bn.

Tata plans royalty on brand name

By Tony Tassell in Bombay

Tata, the Indian industrial group, has moved to extend its grip over its diversified web of companies. Tata Sons, the holding company, plans to charge all group members a royalty for using the Tata brand name from the fiscal year which started in March.

Tata said yesterday the royalty, which will range from 0.10 to 0.25 per cent of net income, will be used to promote and enhance the company name.

Although no longer the largest industrial house in India, the Tata group retains a pre-eminent position in the corporate sector with a reputation for high standards of corporate governance and public service.

Analysts say the royalty move will enable Tata Sons to exploit the name and bring into line its numerous subsidiaries and associates. Tata Sons itself is more than 78 per cent owned by philanthropic trusts.

The royalty will be capped at 5 per cent of profit before tax, and vary according to individual company use of the Tata name. Blue chip companies such as Tata Iron and Steel Co, the steelmaker, and Tata Engineering and Locomotive Co, the commercial vehicle maker, are expected to pay the highest level of royalty.

Henderson raises HK$3.5bn

By Louise Lucas

Henderson Land Development, one of Hong Kong's biggest property groups, yesterday capitalised on its soaring share price by raising HK$3.5bn (US$453m) through a share placement.

The placement was carried out at HK$64 a share, a discount of 3.4 per cent to yesterday's record close of HK$66.25. Henderson's share price has rallied since it unveiled net profits of HK$8.36bn for the year to June 30, up 18.97 per cent on the previous year and above market forecasts. The results announcement was accompanied by a cash bonus of HK$1 a share and a dividend payout of HK$1.43.

Last night's placing of 55m shares, carried out after the market closed, was underwritten by HSBC Investment Bank Asia and Crédit Lyonnais. The funds will be used as general working capital.

Also exploiting renewed market fervour was Cosco Pacific, a container ownership and leasing company. Cosco yesterday placed 250m shares at HK$6.20 each, raising HK$1.55bn. Earlier in the day the company reported net profits of US$32.4m for the six months to June 30, up 47 per cent.

India braced for corporate gloom

Half-year results are expected to show impact of new tax system and sluggish investment

India's corporate sector is poised to report a sharp drop in profit growth for the fiscal half-year to September 30, showing the extent of a slowdown in the economy.

After three years of strong profit growth, the interim results are expected to mark a downturn in the Indian earnings cycle and further depress already gloomy stock market sentiment.

A liquidity crunch following a tightening of monetary policy 18 months ago, the imposition of a minimum corporate tax in the budget in July, a fall in commodity prices, high interest rates, and a rise in administered petroleum prices have combined to depress the bottom line of Indian companies.

The first-half results will provide the first real indication of the degree of the downturn, but most Indian brokerages have already dramatically scaled back estimates for net profit growth in the year to March.

Broker Jardine Fleming India has forecast average net profit growth of 5 to 9 per cent in the half-year to September 30 for the 325 companies it tracks, compared with 40 per cent in the same period last year. For the year as a whole, the forecast is 14 per cent, compared with 20 per cent in 1995-96, 57 per cent in 1994-95 and 52 per cent in 1993-94.

Mr David Kadaranch, head of research at JFI, says the results will be the most important of the last three years. "We are definitely in an environment of deceleration of corporate earnings," he said. "Since 1994-95, it has been a question of how much better results would be above expectations. Now we are looking to see how low they will be."

While a rebound in profit growth is expected as the year progresses, the first-half slowdown is likely to put further pressure on the Indian stock market. Its most prominent indicator, the BSE 30 Index, rose 46 per cent in the first half of the calendar year, from a January low, on the back of a surge in foreign investment.

However, from a June 17 peak, it has fallen back 18 per cent, on negative reaction to petroleum price rises and the national budget. Foreign investment in domestically-listed shares has dropped sharply amid increasing despondency over the pace of economic reforms, forecasts of slowing corporate earnings, and an easing of economic growth.

Analysts say that even if the results are in line with expectations, the market is likely to remain flat for at least the remainder of calendar 1996. If they come out worse than expected, as many analysts suspect, the market could slide further.

'We are definitely in an environment of deceleration of earnings'

The first-half results are also expected to provide an important indicator of the extent of the slowdown in India. "It will be important to see just how tight liquidity conditions affected demand in the economy and how long the impact is likely to last," Ms Ritu Gupte, strategist at JFI, says. Most analysts expect gross domestic product growth to slip to around 6 per cent in 1996-97 from 7 per cent in 1995-96.

However, the slowing in profit growth is likely to be felt unevenly in the corporate sector. Mr Vivek Jasuja, analyst with brokers SSKI, says those hit hardest will be stocks which are sensitive to commodity prices, in such sectors as steel and cement, and low-tax companies.

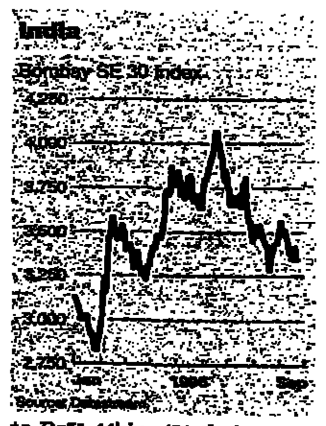
The July national budget introduced a corporate tax system under which companies will have to pay a minimum 12 per cent tax on earnings. This will immediately affect the so-called "zero-tax" companies which have previously paid little or no direct tax.

One of the most important results for analysts will be the figures for Reliance Industries, the textiles to petrochemicals group. The one-time Indian share market leader has been one of the hardest hit by the falls in commodity prices and the imposition of the minimum corporate tax.

The Reliance results will also provide an indication of whether loopholes can be found in the minimum corporate tax. "If there is a way around the tax, Reliance will find it," one analyst says.

Other companies expected to report weaker growth include Reliance rival Bombay Dyeing and Manufacturing Co, as well as aluminium producer Hindalco Industries, Associated Cement Companies and Indian Petrochemicals Corp.

On the flip-side, State Bank of India, the country's biggest commercial bank, is expected to head the best performing companies. Broker SSKI estimates that the bank, which is marketing a $400m Global Depositary Receipt issue, will lift first-half net profit 123 per cent from Rs23.04bn to Rs51.44bn ($1.4bn).



Many first-half results will be hit by high interest costs, with most corporates now paying interest rates above 20 per cent for finance. Also, many which raised funds in the 1994 Indian stock market boom will report lower interest income, as much of this money has now been depleted through investment in various projects.

However, Mr Jasuja said the slowdown would be felt less in the services sector and among subsidiaries and associates of multinational companies. These were less sensitive to commodity fluctuations and were already corporate taxpayers.

This factor is likely to see the constituents of the BSE 30 Index post higher first-half net profit growth than the market as a whole, given the heavy weighting to multinational and service sector stocks.

Analysts also expect net profit growth to rally in the later part of 1996-97 and rebound to above 20 per cent next fiscal year.

Mr Jyotivardhan Jaipuria, vice-president at Merrill Lynch associate DSP Financial Consultants, says domestic liquidity conditions have eased over the last six months, and this should start to lift corporate bottom lines as the year progresses.

Tony Tassell

RECRUITMENT

مكتنزا من الاصل

Loewen set to reject $2.5bn SCI offer

By Bernard Simon in Toronto

The board of Vancouver-based Loewen Group is expected to give a sharp rebuff at a meeting today to an unsolicited takeover proposal from Service Corporation International, Loewen's arch-rival in the funeral services industry.

Loewen has yet to respond formally to SCI's all-share offer, valued at US$2.5bn. However, all signs point to an acrimonious response. "It has all the makings of a battle," one person close to the company said yesterday.

Loewen has put out word that SCI bid unsuccessfully for Rose Hills, the Los Angeles-based funeral operator that last week agreed to a $240m bid by the Canadian company. News has also leaked out of a heated confrontation three years ago between Mr Robert Waltrip, SCI chairman, and Mr Ray Loewen, Loewen chief executive, aboard Mr Loewen's luxury yacht.

Loewen has suggested a takeover would not be in the interests of either company's shareholders. SCI has proposed a "pooling of interests" arrangement, largely to avoid accounting for goodwill, as would be required in a cash purchase.

Loewen's shares have remained below SCI's bid price since the Houston-based company first proposed a deal last week.

The shares fell 25 cents to US$41.75 in early trading on the Nasdaq over-the-counter market yesterday. SCI has indicated an offer equal to $43 a share. However, SCI has hinted it may raise its bid and launch a tender offer for Loewen shares.

One New York arbitrageur said SCI was in a strong position to push through an offer and would have little trouble dissolving Loewen's "poison pill" defence.

The pill, adopted in 1990, gives existing shareholders rights to acquire shares at a 50 per cent discount to help fend off an unwelcome bid.

Loewen's defences and its ability to finance acquisitions have been weakened by a legal dispute in Mississippi last year, which resulted in the company paying a $175m settlement.

C&W makes waves in the Caribbean

Despite some local disfavour, the region has been good business for the group

When the Sir Eric Sharp, Cable and Wireless's cable-laying ship, sailed from Jamaica's north coast recently after completing a fibre optic link with the Cayman islands, it left controversy in its wake.

Local conservationists said the cable had damaged exquisite coral reefs. Telecommunications of Jamaica, a C&W subsidiary, acknowledged the error and relocated the cable.

C&W and its many subsidiaries in the region are frequently the object of public discontent about issues ranging from rates to exclusive licences to road excavations.

But investments such as the Cayman–Jamaica cable are clearly worth bouts of public disfavour. The company has invested $1bn in the Caribbean over the past five years, and plans to invest a similar amount over the next five.

"Although the islands are small, when taken together they make very good business for C&W," said Mr Geoff Wiggin, C&W regional director for Bermuda, the Caribbean and Latin America. "We have 21 businesses and employ 10,500 people in the Caribbean."

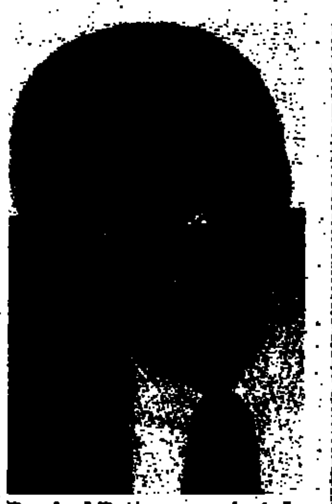
The Bermuda, Caribbean and Latin American operations of C&W, the headquarters of which are in the Cayman islands, recorded an operating profit of £171m ($266m) in the year to March 31 1995, up 11 per cent on 1993–94. Turnover grew 4 per cent to £498m, positioning Bermuda, the Caribbean and Latin America as the second-largest contributor to the group after Hong Kong.

The $30m Cayman–Jamaica system will be the main link between Georgetown, capital of the Cayman Islands, through Montego Bay on Jamaica's north coast, and to the rest of the world. It was installed to meet the growing demand for improved telecommunications in the Caymans, one of the world's leading offshore financial services centres.

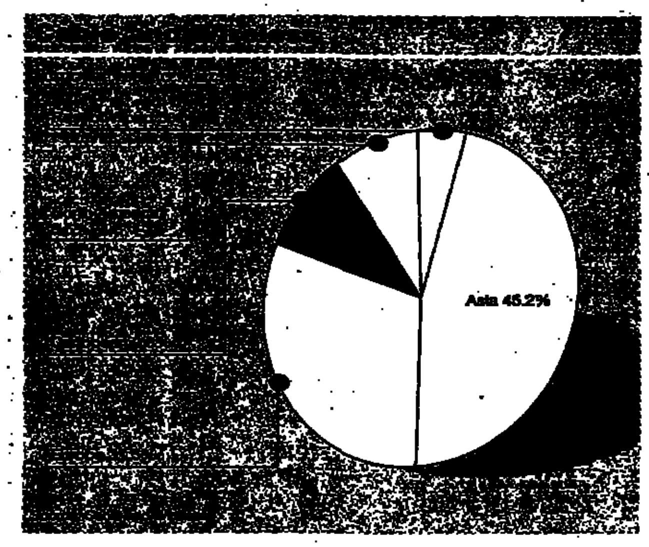
Complaints from businesses in the eastern Caribbean about repeated damage by hurricanes to the region's microwave system led C&W to install a $60m fibre optic cable from the British Virgins in the north to Trinidad in the south. The system carries the main traffic among the islands, while connecting to existing systems serving North and South America and Europe.

C&W is not the only big telecommunications group which sees good business opportunities in the Caribbean. Telecommunications between the Dominican Republic and Puerto Rico are being improved by AT&T of the US and two Dominican companies, which are constructing a $30m fibre optic cable.

AT&T is also involved in installing a $20m fibre optic cable to link the Bahamas to Florida. The system will be owned by AT&T and the state-owned Bahamas Telecommunications Corp, which has been under pressure to improve services from the growing offshore financial services sector.



Percival Patterson: rejected calls for a review of licences



C&W is involved in the telecommunications companies in the larger Commonwealth Caribbean islands, ranging from total ownership, such as in St Lucia and St Vincent, and a majority holding in the Barbadian and Jamaican companies, to a minority share in Trinidad and Tobago. Telecommunications of Jamaica is C&W's biggest operation in the region.

ToJ, in which C&W has a 79 per cent stake, hit further controversy recently when it was given permission to increase domestic calls by 17.5 per cent and to levy a charge on local area calls (which were previously free). Installation and rental rates were also increased.

Consumer groups and opposition parties criticised Mr Robert Pickersgill, the utilities minister, for granting the increases, particularly in light of the company's 11.7 per cent rise in net profit to $49m in the year ended March 31.

Mr Pickersgill said his hands were tied by an agreement between ToJ and the previous government, which guaranteed the company a minimum 17.5 per cent profit on its operations.

Mr Percival Patterson, prime minister, rejected demands for a review of the company's licences, saying that to have reneged on the agreement with ToJ "would have sent negative signals to foreign investors".

Earlier this year, consumer rights groups criticised the fact that ToJ was given an exclusive licence for telephone services in the island.

"In exchange for exclusivity, we guarantee to put in a system which encourages investments in the region," said Mr Wiggin. "Telephone systems in the Caribbean since the mid-1980s have consistently been at the leading edge of technology – the Caribbean was the first region in the world to be completely digitalised. Many people still think this is just a small area of the world where nothing happens."

Canute James

Dana looks beyond the auto sector for growth

Are the companies that have prospered as suppliers to the US automobile manufacturers in the 1990s about to hit an era of slower growth?

That is one of the questions thrown up by last week's ground-breaking deal between Ford Motor and the United Auto Workers union – a deal which, the union hopes, will halt the steady flow of jobs from companies like Ford to non-unionised suppliers.

The issue is nowhere more acutely felt than at Dana, a company that sold $1.8bn of truck frames and other parts to Ford last year.

In its deal with Ford, the UAW won guarantees for 95 per cent of its members employed at the company. In return, the union agreed to a new, lower pay scale for new workers hired in the company's parts-making plants. Those provisions could put a limit on Ford's ability to "outsource" more in the future, while at the same time enabling it to produce parts more cheaply in-house.

For a company like Dana, which has prospered as the auto industry has moved away from vertical integration in recent years, that could have a notable impact.

"It technically gives them a chance to become more competitive with their suppliers," says Mr Jim Ayers, chief financial officer. Pressure from the UAW has already led Ford to take back the production of vehicle axles that it had previously farmed out to Dana.

The impact of the two-tier wage structure, which will apply only to new workers, may not be felt at a company like Dana for some time. Also, as Mr Ayers points out, Ford is unlikely to want to re-enter capital-intensive operations like manufacturing vehicle frames.

It also seems unlikely that a labour agreement, on its own, would alter the strategic case for outsourcing, which currently holds sway in the boardrooms of the world's automakers. According to this argument, vehicle makers will do best by concentrating on developing and marketing new vehicles, and leaving the manufacture of parts to outsiders.

At the least, though, this year's labour agreement – if extended to the other US automakers – is likely to heighten the exposure of the parts companies to a US economic downturn. As demand for new vehicles falls, then the job guarantees extended to their own employees will encourage manufacturers to cut back on suppliers first, where possible.

For now, though, Dana's problems are of an altogether different nature: how to keep up with demand for Ford's popular line of light trucks. Sales of the company's F-series pick-up truck have outstripped expectations. Dana, in turn, admits to difficulties in supplying enough vehicle frames.

And even in the midst of a surge in US new vehicle sales, Mr Woody Moorcot, Dana's chairman, has his sights set on growth far from the company's traditional US operations.

Echoing the consolidation under way elsewhere in the parts industry, Dana has bought 25 companies since the beginning of 1993: that has lifted its international sales from 26 per cent of the total in 1990 to 37 per cent last year, or $2.8bn, pushing it closer to a target of 50 per cent set at the beginning of the decade.

Also, says Mr Moorcot, Dana is well on the way to generating half its sales from operations unrelated to its core business of supplying parts to vehicle makers.

It is not difficult to see the motivation behind Dana's diversification. Mr Moorcot compares Dana with GKN, a UK company that generates less than half its sales from auto parts – and enjoys a price/earnings multiple that, he says, is 40 per cent above that of Dana.

"The most important thing for us – and I'm hell bent on it – is not to have a down cycle when the industry turns down," Mr Moorcot says. But until the US new vehicle market slumps – and Dana proves it can keep growing regardless – the stock market seems unlikely to give him the benefit of the doubt.

Richard Waters

Digital offers new workstations

By Louise Kehoe in San Francisco

Digital Equipment has launched a new range of aggressively priced "personal workstations", for use in engineering and graphics, that also run standard personal computer software.

The new machines signal the emergence of a new category of desktop computers that bridge the gap between high-performance PCs and engineering workstations.

Traditionally, workstations have run Unix software and used proprietary reduced instruction set computing (Risc) microprocessors. The new Digital products are based on Intel's latest microprocessor, the Pentium Pro, and run Microsoft Windows NT software.

Prices start at $3,500 and rise to about $5,000, and Digital claims the performance is similar to entry-level workstations from Hewlett-Packard, Sun Microsystems and Silicon Graphics.

Windows NT is gaining quickly on Unix as an alternative operating system for computers linked to corporate networks, and Digital aims to be in the forefront of the trend. Currently, Windows NT systems represent about 10 to 15 per cent of Digital's systems sales, while Unix sales volume is roughly twice as big.

Digital's Windows NT systems sales have, however, been growing at more than 100 per cent a year, against growth of about 60 per cent a year in the Unix sector.

Inchcape expects pick-up

By Ross Tieman

Sir Colin Marshall, brought in as chairman by international trader Inchcape in January to revive profits, yesterday predicted a sharp second-half pick-up as restructuring began to pay off.

His promise came despite a mixed performance from its global portfolio of car and consumer product distribution businesses in the half to June 30 that pulled underlying pre-tax profits down £500,000 to £82.8m ($129m).

The dividend has been cut by 30 per cent to 5.25p, payable as a foreign income dividend. The cut is designed to rebalance the pay-out after last year's reduction in the final dividend from 9p to 4p.

The disposal of the group's testing services business, for an expected £380m, will be completed within weeks, Sir Colin said. Demerger of Bain Hogg, Britain's largest retail insurance broker, through a distribution of free shares to Inchcape investors, is anticipated "before the end of the year". It had a difficult first half, with operating profits down 20 per cent to £20.8m.

Mr Philip Cushing, installed as group chief executive in March, said: "We recognise we have to do more with the existing businesses." He said restructuring had already cut £36m a year from costs. Spared the burden of provisions, pre-tax profits rose from £18.6m to £75.3m. Sales rose 1 per cent to £3.16bn.

Reorganisation benefits were most evident in the company's car importing and distribution businesses, where operating profits rose 67 per cent to £28.2m. Toyota sales gained from the manufacturer's model renewal programme, while losses from Mazda sales in France were staunched.

But operating profits from car retailing fell 17 per cent to £27.9m, thanks to competition for new car sales in Britain, and a weaker market in Singapore. Profits also fell at the marketing operation, which mainly distributes branded consumer and industrial products.

Pringles crisps came under pricing pressure in Japan, where start-up costs also hampered the Timberland shoe business.

Despite having shed 40 brands and 20 businesses, Mr Cushing said a further product cull was necessary. To improve agility in its markets, management has been moved from London to Asia and the Middle East.

Profits fell 4 per cent to £5.2m in the Coca-Cola bottling business.

Trevor Humphries

Sir Colin Marshall (foreground), with Philip Cushing: reorganisation helped car import side

Lloyds TSB 'looks for acquisitions'

By George Graham, Banking Correspondent

Lloyds TSB, the UK retail bank, is still looking for insurance acquisitions, Sir Brian Pitman, chief executive, said yesterday.

He also finalised details of the group's £1.68bn ($1.12bn) buy-out of minority shareholders in Lloyds Abbey Life, the life assurer, in which it already owns 62.4 per cent.

Sir Brian dismissed speculation that Lloyds would immediately sell Abbey Life, LAL's direct sales operation, and said LAL's interest in buying a mutual insurer would not change.

"We shall be growing organically, but if there were further opportunities for acquisition, we would be interested," he said.

The remarks came as Lloyds revealed more details of its offer for LAL, valuing the life assurer at £4.45bn.

Lloyds anticipated cost savings rising to about £50m a year in three years after putting LAL's insurance, hire purchase and leasing activities with its own.

Until the Lloyds' merger last year with TSB, its life, insurance, estate agency and finance house activities were contained in LAL. But these were duplicated by TSB's 100 per cent owned businesses.

The offer comprises six Lloyds TSB shares and £21 in cash for every seven LAL shares, including a 50p per share special dividend to be paid by LAL on completion of the takeover.

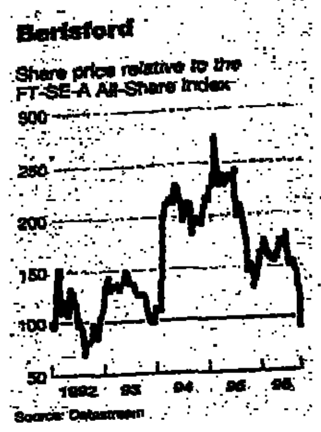
Lloyds valued each LAL share at 635p, which represented 2.57 times LAL's net asset value and a premium of 13 per cent over its share price before market speculation intensified.

The offer includes a provision for shareholders to receive cash, instead of up to half the Lloyds TSB shares. Lloyds could pay between £790m-£1.22bn in cash.

Lloyds TSB has been advised by Baring Brothers, and Lloyds Abbey Life by SBC Warburg.

LEX COMMENT

Berisford



Berisford's ostensible attraction was the deal-making skill of its chief executive, Mr Alan Bowkett. While Mr Bowkett has only acquired two businesses in five years, investors believed he had bought well. After all, he snapped up Magnet, the kitchen and door manufacturer subject to a £630m management buy-out in 1989, for just £25m in 1994. Unfortunately, Mr Bowkett appears to be better at buying businesses than running them. After problems at Magnet last year, the group has now discovered trouble at Welbilt, the cooking equipment manufacturer which was Mr Bowkett's other acquisition. Only three months ago, he said the business was going from strength to strength. A strike and a faulty computer installation, which have exacerbated the situation, could happen to anybody. But with just two main businesses to look after, senior management should have spotted the problem more quickly.

Berisford remains profitable and is even planning to raise its dividend. On reduced brokers' forecasts, it is trading on a derisory seven times 1997 earnings. But without further deals – and it is hard to see it getting City backing at the moment – the group is simply the owner of two dull businesses, which both face overcapacity and margin pressure. That calls for a different kind of management. Mr Bowkett says he would leave without a pay-off if shareholders asked him to. Perhaps they should take him at his word.

German buys help lift SIG

By Patrick Harverson

The first contribution from recent German acquisitions enabled SIG, the former Sheffield Insulations group, to increase first-half profits despite continued weak demand for building materials across Europe.

Pre-tax profits rose 18 per cent from £12.1m to £14.2m ($22.2m) on turnover of £209m (£176m). WKT and Golinski, the two German distributors of insulation products acquired this year, contributed more than £24m to turnover and £2.4m to profits.

Mr Bill Forrester, chief executive, said the improvement also reflected the group's ability to protect margins in the face of a 2 per cent decline in sales across its UK, German and French markets.

He said that was achieved by cost cutting and the group's broad product mix, which includes energy conservation products increasingly demanded by government regulations for new buildings.

Turnover and profits in the core insulation business were down slightly before acquisitions at £115.8m and £7.8m respectively.

Xenova's £25m test for the biotech market

By Daniel Green

Xenova, a Slough-based biotechnology company, will test the subdued biotech listing market next month with a £25m ($39m) share offering.

The company will announce today its intention to add a London listing to its Nasdaq quotation in the US.

It wants the cash to take its experimental drugs to the next stage of development.

If successful, this would be the first public listing in London since the failure of Cambridge-based Cambrio to float in July.

Most of the UK biotech sector floated or had rights issues in the first half of the year as share prices rose quickly. But investors spurned the sector when share prices stalled in mid-summer. US investors have shown a similar reluctance to put more cash into biotech in recent months.

Xenova has a market capitalisation of more than £40m, based on its efforts to extract medicines from natural sources such as plants, fungi and bacteria.

With a UK research base, it has attracted more European investors than many Nasdaq stocks. Mr Trevor Twose, chief financial officer, said about 40 per cent of the company was owned in the UK and the rest of Europe. A London listing would better serve their needs, he said.

The shares will be sold in a placing sponsored by Grieg Middleton, the stockbroker. A pathfinder prospectus is planned for October with dealings starting in mid-November.

The shares are trading at roughly half their best levels depressed by the knowledge that the company would soon have to issue more stock to raise money. Xenova has about £10m in cash but is spending at more than £8m a year and the rate of spending will have to rise as products enter larger clinical trials.

Xenova was founded in 1987, making it one of the oldest companies in the UK biotech sector. Its main products are in cancer. The most advanced is about to enter the second of the three phases of testing normally required by health regulators.

Premier acquires Discovery

By Jane Martinson

Premier Oil, the UK-based independent exploration group, is set to further enhance its presence in south-east Asia and enter the Australian market with the A$91.9m ($71.8m) purchase of Discovery Petroleum.

Yesterday's bid for the Australian exploration and production company comes three days after Premier's $72m acquisition of Sumatra Gulf Oil, an Indonesian oil and gas company, from Chevron International.

Discovery's interest in the Kakap production sharing contract in offshore Indonesia provides some 60 per cent of its production of about 10,000 barrels of oil equivalent a day.

The asset, which Premier said had considerable gas reserves, is adjacent to a field bought by Premier on Friday. The remaining Discovery production is from Australia.

After the deals Indonesia will provide almost a third of the group's production capacity.

The cash offer of 70c a share represents a 17 per cent premium to Discovery's pre-bid price.

Close Bros rises for 21st year

By Nicholas Denton

Close Brothers, the UK merchant bank that now rivals Hambros in market capitalisation, yesterday reported its 21st year of unbroken profits growth but warned of a worsening in business conditions.

"We have had a very benign economic background. We all think it is going to be less so," said Mr Rod Kent, managing director. Pointing to the "frothy" symptoms of a market close to its peak, he said: "It is going to get a bit tougher this year."

Pre-tax profits were £45.1m ($70m) in the year to July, a rise of 33 per cent. Earnings per share, even after dilution by the £53.4m rights, grew 12 per cent to 24.8p.

Profits slightly exceeded analysts' expectations, which had been between £42m and £44.8m, and the shares rose 2p to 342p in a falling market.

Its outstanding unit was Winterflood Securities, the market-making operation, which contributed 32 per cent of the group's £102m operating profits, compared with 20 per cent the year before. It benefited from a busy market in the smaller company stocks in which it specialises. Close is seeking to expand its fee-earning businesses such as corporate finance and asset management. It said its new corporate finance business, acquired for £1m from Hill Samuel in June, was performing well, but it was still looking for a suitable acquisition in asset management.

The final dividend of 6.8p (5.8p) makes a total of 10p (8.7p).

Analysts forecast pre-tax profits of about £48m, which translates into a p/e of 13.4 times.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albemarle & Bond Φ	Yr to June 30	4.13	(3.39)	0.901♠	(0.804)	1.75	(1.52)	0.25	Jan 17	-	0.25	-
Aspen Comms §	6 mths to June 30	38.3	(37)	1♥	(1.6♥)	4.5†	(7.6)	2.5	Nov 12	2.5	-	6.25
Beeross	6 mths to June 29	69.4	(56.3)	3.9	(3.16)	6.85†	(6.23)	5.35	Nov 25	5	-	14.3
Britannia	6 mths to June 30	19.1	(23.4)	2.1L♠	(0.274)	8.3L	(1)	nil	-	0.5	-	1.6
Close Brothers	Yr to July 31	-	(-)	45.1	(34)	24.8†	(22.2)	6.8	Oct 28	5.8	10	8.7
Community Hosp	Yr to June 30	69.6	(63.4)	10.7	(8.54♠)	21.8	(17.9)	6.6	Nov 29	5.8	10	8.8
Crown Products	Yr to June 30 ☆	16.6	(2.95)	0.467	(0.197L)	0.4†	(2.3L)	-	-	-	-	-
Fieldens Φ	Yr to June 30	6.16	(4.5)	0.329	(0.177)	8.95	(3.97)	1.5	Oct 31	-	1.5	-
Galliford Φ	6 mths to June 30	18	(15.3)	1.58	(1.53)	5.37	(5.16)	1.82	Oct 14	1.65	-	4.24
Inchcape	6 mths to June 30	3,162	(3,130)	§75.3♠	(18.6♠)	7.3	(2.4L)	5.25大	Dec 31	7.5大	-	11.5大
Melrose Energy	Yr to June 30 ‡‡	37.2	(14.1)	15.3	(5.84)	4.41†	(2.96)	0.58	Dec 12	0.32	0.87	0.48
Norhomes Φ	6 mths to May 31	96.4	(110.3)	38.1	(49.5)	1.4	(1.9)	-	-	-	-	-
Pex	6 mths to July 31	4.84	(5.82)	0.192	(0.193L)	0.25†	(1.01L)	-	-	-	-	-
Proudfoot	6 mths to June 30	35.2	(38.9)	2.52	(5.79L♠)	1.4	(8.4L)	nil	-	nil	-	nil
Regent Inns	53 wks to July 6	31.8	(22)	8.01	(4.43)	8.8†	(5.1)	1.57	Nov 18	0.95#	2.2	1.4#
Rutland Trust	*6 mths to June 30*	*51.6*	*(61.3)*	*4.9*	*(6.86♥)*	*1.71*	*(1.89)*	*0.4*	*Nov 22*	*0.33*	-	1.2
Scholl	6 mths to June 30	119.4	(109.7)	21.9L	(11.8)	31.6L	(10★)	3	Nov 4	2.8	-	7
Sentry Farming	6 mths to June 30	2.62	(2.4)	0.497L	(0.499L)	5.23L	(5.41L)	-	-	-	-	5.1
SIG	6 mths to June 30	209	(176)	14.2	(12.1)	9.6	(10.2)	2.4	Nov 15	2.2	-	6.6
T&S Stores	6 mths to June 29	248.4	(216.5)	8.78♠	(8.06)	8.36†	(8.35)	3	Nov 29	2.8	-	7.1
TransTec	6 mths to June 30	114	(108.3)	4.51	(3.1)	3.1	(2.3)	0.8	Jan 13	0.7	-	2.2
VCI	6 mths to June 30	37	(24.6)	1.31	(1.15)	2.8	(2.5)	2.3	Nov 29	2.2	-	7.1
Westminster Scaf §	6 mths to June 30	0.61	(1.55)	0.66L	(0.62L)	0.1L	(0.1L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BZW Endowment	Yr to July 31	120.69	(107.2)	2.7	(1.78)	13.48	(8.89)	-	-	-	-	-
Kleinwort Devt	Yr to July 31	716.1	(534.1)	1.25	(0.716)	20.89	(11.84)	12.6	Dec 10	8.25	15.35	11

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. §USM stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. 大Foreign income dividend. ‡‡Pro forma. ☆Comparatives for 18 months to June 30 1995. #After share subdivision. ★Restated.

VCI bid £300m for Man Utd

By Patrick Harverson and Raymond Snoddy

VCI, the video and publishing group chaired by Mr Michael Grade, the Channel 4 chief executive, abandoned an audacious £300m ($468m) bid to buy Manchester United this year, it emerged yesterday.

Although VCI had lined up the financing and the offer was being taken seriously by the Manchester United board, it was forced to withdraw after the football club's share price rose sharply, putting the deal out of reach.

The rise in the shares was prompted by the prospect of the club's revenues being dramatically enhanced by a lucrative new television deal with BSkyB, the satellite broadcaster.

These expectations, plus longer-term hopes that Manchester United's revenues would grow even faster following the anticipated introduction of pay-per-view television, pushed the club's share price from less than 350p to 489p in early June.

The rise meant VCI's offer of about 480p per share was no longer attractive to the club's main shareholders.

Had the VCI bid been successful, the reverse takeover would have been by far the largest corporate investment in British football. It would also have been a remarkable coup for VCI, which at the time was considerably smaller than its target.

The group's market capitalisation of about £125m was dwarfed by Manchester United's market value of almost £200m. The club generated annual profits of £20m on turnover of £60m last year, while VCI reported profits of just £8m on sales of £36m.

Rank expected to buy pub group

By Scheherazade Daneshkhu

Rank Organisation, the diversified leisure group, is expected to announce today the acquisition of Tom Cobleigh, the independent pub group, for about £100m ($156m).

The deal will come as a blow to Yates Brothers Wine Lodges, the Bolton-based independent drinks group which until last Tuesday was the front runner to acquire the pub group.

Tom Cobleigh, which floated last November, confirmed 10 days ago that it was in takeover talks, will be the second significant acquisition for Rank under Mr Andrew Teare, its new chief executive.

In July, it paid $410m to take full control of Hard Rock cafés.

The purchase will mark a new direction for Rank which does not own any pubs.

TECHNOLOGY

BEHIND THE NET

Shopping on the Internet has been slow to get off the ground. But many believe that it is both inevitable and likely to bring unforeseen consequences. Attention is now focused on intelligent agents, small strings of computer code that manage information on the Internet on behalf of their users. These promise to make the flow of information between customers and retailers far more valuable, which could accentuate the opportunities and threats facing retailers on the Internet.

Agents – which are already routinely used for retrieving information and sorting out e-mail – can be trained to recognise their users' preferences. They could reduce the effort involved in internet shopping by retrieving product and price information tailored for the needs of individual customers.

This has raised concerns that widespread use of agents could destroy pricing differentials for retailers and possibly erode their role altogether by making it easier for manufacturers to deal directly with customers. Others are more sanguine, pointing out that agents will make it easier for retailers to target their customers and will provide valuable marketing information.

Bob Lewis, European marketspace manager for International Business Machines, is enthusiastic about their potential. "I think agents have a huge role to play. They are changing the concept of retailing from being totally passive to being totally interactive," he says.

Intelligent agents will be used to record consumers' browsing and purchasing habits on World Avenue, IBM's Internet shopping mall, which is due to open this autumn. The agents will "learn" the types of product that the shopper is interested in and will alter the display accordingly.

At first, this is a matter of displaying, say, a sport shop before a fashion store. In the project's second phase, the agents will be able to make specific suggestions to the individual. For example, somebody who had previously bought a golf club might be asked if they wanted to consider a golfing holiday.

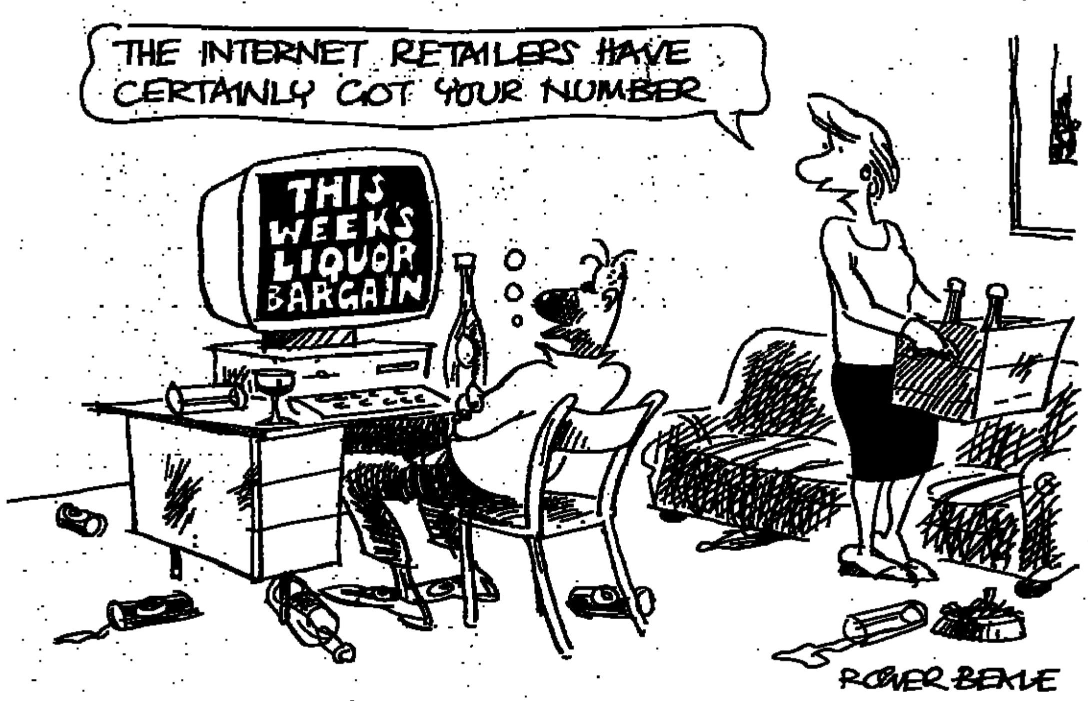
Lewis thinks Internet shoppers will be pleased by the system's ability to treat them as individuals: "People are interested in the interactivity. It gives them a more exciting experience."

It will also offer the retailers new information. When buyers register at the site they will be asked to give information about themselves and their interests. Taken together with their browsing and buying patterns, retailers will have new information about their customers which they can use to test and refine their product range.

Some agents could provide even more sophisticated recommendations. Firefly Network, a company based in Cambridge, Massachusetts, uses an approach known as collaborative filtering, pioneered by researchers at the Massachusetts Institute of Technology. These agents can make suggestions based on the preferences of other agents belonging to people with similar interests.

For example, one of its agents recommends music and films. The agent asks the user to rate a handful of artists and films, and then compares those ratings with those of other users. That allows it to recommend artists and films that have been liked by people with similar tastes. Firefly's approach also provides retailers with the ability to make personal communications and recommendations based on individuals' preferences.

Firefly is aware that some people might view these developments as a potential risk to their privacy and has taken steps to address these fears. It uses aliases, network firewalls and log-in encryption to assure them that information is anonymous unless users indicate otherwise.



Retailing faces an upheaval caused by 'intelligent agents' on the Internet, writes **Vanessa Houlder**

Fingers that shop around

Andersen Consulting is also tackling concerns that agents could lead to an invasion of privacy. "Privacy is a huge deal and rightfully so," says Steve Johnson, worldwide managing partner of its consumer products industry practice.

Last month Andersen launched an experimental agent for its Web page called Lifestyle-Finder that aims to provide information without requiring personal details about users.

Instead of giving specific details such as gender, income or postcodes, the users indicate their tastes through answering a series of multiple choice questions. These indicate type of accommodation, favourite activities and what sort of drinks they like. At the end of the questionnaire, the agent lists sites that might interest the user.

The approach is designed to give retailers a new tool for collecting information about consumers that would allow them to target more accurately their customers with specific marketing messages.

LifestyleFinder is the latest in a series of experiments into the future of intelligent agents and electronic commerce being conducted by Andersen Consulting. This project began with the release of BargainFinder, an intelligent agent that allows users to compare prices among eight compact disc retailers on the Internet.

This addressed what is perhaps the thorniest issue surrounding the use of intelligent agents in electronic commerce – pricing.

Even without intelligent agents, suppliers are anxious that they could lose business as customers use the Internet to compare prices. Earlier this year a German wholesale and foreign trade association blamed the Internet for the loss of lucrative niche markets. But comparing prices on the Internet is a laborious task for products that are widely available.

The significance of agents is that, as Johnson puts it, they are "a totally painless way of letting the fingers do the walking". He believes users have found BargainFinder enormously useful. Of the 11,200 Internet users who responded to a survey about BargainFinder, 91 per cent reacted positively to the concept of consumer intelligent agents.

BargainFinder has limitations. It has problems coping with different spellings of artists' names and furthermore, had to be constantly updated to cope with new retailing sites.

A more serious problem was the attitude of some of the retailers. Three compact disc companies blocked the agents, refusing to allow them access to the necessary data.

Their reluctance is understandable, since the system makes it so easy for customers to find the lowest price. Andersen argues that if agents such as BargainFinder are widely adopted by consumers, retailers would be forced to participate unless they wanted to exclude a sizeable segment of the market.

Retailers should be alarmed by these possibilities, according to James Roper of the Interactive Media in Retail Group, a forum for retailers and suppliers. But at present, they are mostly taking a wait-and-see approach. "It is seen as a little bit futuristic at the moment," he says.

Christine Guilfoyle, an associate at Ovum, the research company, thinks that retailers in niche markets which appeal to young people, such as music, books, trainers and computer games, will be the first to be affected by these developments.

But Guilfoyle believes there are many barriers to overcome before agents become familiar in electronic retailing. She says there are still credibility and quality control issues to be solved. "You may have a small company getting thousands of requests for something that it does not have the back-up to deliver."

Whatever the problems, enthusiasts argue, the potential of agents in electronic shopping is so immense that they are inevitable. "They [retailers] must anticipate things like this," says Johnson. "It can and must happen."

Ford shifts up a gear

John Griffiths on how the carmaker is consolidating transmission R&D

Carmaker Ford has set up a prototype transmission centre in Germany with the aim of cutting nearly 18 months off the process of taking a new manual transmission from concept to production.

The DM40m (£17m) prototype centre at its Merkenich research and development base near Cologne has taken on new significance for the US carmaker under its "Ford 2000" globalisation strategy. The centre has assumed responsibility for designing and developing manual transmissions for all Ford vehicles, irrespective of where they are built. At present Ford, the world's second-largest carmaker, produces 2.4m manual transmissions a year.

Delivery time for a prototype transmission is being cut from 25 weeks to 14 weeks. This reduction is to be achieved by using new techniques which are being installed at the centre, and which have as their focus a Cray supercomputer. When the centre is fully equipped next year, it will be able to build 2,000 prototype transmissions a year.

A modern manual transmission has an average of 120 components, so the pressures on the new targets are considerable, acknowledges Heinz Foellinger, manager of core design manual transmissions, at the centre. Those pressures are being compounded, he adds, by a substantial reduction in permitted engineering tolerances. Already narrowed by nearly 30 per cent over the past five years, maximum tolerances of eight microns are now typical.

A crucial part of the Merkenich project entails linking all its outside suppliers of prototype parts with the centre's database. It is also developing mechanisms to get feedback from the marketplace which will help it improve the feel and quality of transmissions. Ford's dealer networks now routinely send back data showing up patterns of problems with any particular transmissions, and the centre has begun what it describes as "shiftability surgeries". These quiz drivers on their likes and dislikes.

Transmissions developed at the centre will be placed in both small cars targeted at the developing world and in vehicles for the European market. However, drivers in India or Thailand will not be settling for second-best, Foellinger insists. "There will be no 'engineering down'. Such a driver can expect to get exactly the same standard as a driver in the west. The days of passing on outdated technology have gone; now everyone knows what is second-best."

Automatic transmissions dominate the North American market, and other forms of "advanced" transmission – notably the continuously variable transmission – are also being developed in pursuit of wider acceptability.

However, with ever-larger numbers of drivers using mobile phones, hampering their ability to use a manual transmission, there are questions about the long-term future of the centre.

Foellinger stresses that manual transmissions are more than capable of holding their own against automatics, particularly in Europe where automatics have a market share of only 10 per cent. However, he acknowledges that future manual transmissions are unlikely to look much like the familiar centrally mounted gearshift and footclutch. Under new systems, the clutch pedal will disappear, replaced by electronic operation and engine management which will automatically match engine speed to road speed. Gear changing will be by steering wheel-mounted "paddles".

The system can already be regularly seen on TV – on Formula One racing cars.

LAW

Broadcasting law clarified

EUROPEAN COURT

In two recent judgments, the European Court of Justice has clarified European Union broadcasting law and in particular the position of national authorities when dealing with television broadcasts from other member states.

The judgments arose in the context of infringement proceedings brought by the European Commission against the UK and Belgium.

The UK case concerned the jurisdiction of the UK authorities over satellite programmes. Under English law, the UK authorities had jurisdiction when they were broadcast from UK territory. The Commission's position was that national jurisdiction depended on the place where the broadcaster was established. The relevant EU legislation stated that member states must ensure television broadcasts complied with all the legal requirements, but did not specifically define jurisdiction.

The court said that jurisdiction set out in the EU legislation should be based on the broadcaster's connection with a state's legal system rather than the place of transmission. This was so despite the fact that the Council of Europe Convention on Transfrontier Television used criteria based on the place of transmission, to determine jurisdiction.

The court said this difference in approach reflected the different aims of the EU legislation and the Convention. Whereas the EU legislation was designed to establish an internal market in television services, the latter was designed to facilitate transfrontier transmission and retransmission.

The court also acknowledged that its findings might produce practical difficulties, such as where a broadcaster was established in more than one member state. However, it was suggested that such a problem could be solved by interpreting the concept of establishment as being the place where the broadcaster had its centre.

The Belgian case concerned the requirement of prior authorisations from authorities for the retransmission by cable of television broadcasts from other member states.

The Commission considered that such a requirement constituted a serious restriction on the freedom to provide broadcasting services within the EU. The Belgian government argued that the relevant EU legislation only covered primary television broadcasting and not cable retransmission. However, the court found nothing to exclude cable transmission.

On the issue of compatibility of the domestic law with the relevant EU provisions, the court said first that as a matter of EU law, member states had to ensure freedom of reception and could not restrict retransmission on their own territory of television broadcasts from other member states.

It was therefore solely for the member state from which the television broadcast in question emanated to monitor the application of the law and thereby ensure compliance with the EU provisions and it was not for the receiving member state to exercise its own control.

If a member state considered that another EU country had failed to fulfil its obligations under the EU provisions then it could bring infringement proceedings or request the Commission to take action. But it could not adopt unilateral measures designed to obviate any such breach.

The Belgian government argued that the Treaty of Rome authorised restrictions on the freedom to provide services where justified on grounds of public policy, public morality or public security. The court rejected that argument.

C-222/94: Commission v UK; C-11/95: Commission v Belgium ECJ FC, September 10 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Glaxo reshuffle boosts regions

Glaxo Wellcome, the world's largest pharmaceuticals company, is reshuffling responsibilities on its executive committee in anticipation of stronger growth from Latin America and the Asia Pacific region. For the first time, Glaxo's executive committee has a manager responsible for Latin America – Jorge Raimundo, 56, president of Glaxo Wellcome Brasil. Glaxo Wellcome is much weaker in Latin America – it tenth in terms of sales in Brazil and in Argentina – than in Europe and the US, where it is number one.

Separately, James Cochrane, 52, loses his responsibility for commercial development and over-the-counter (non-prescription) drugs to Sean Lance, 49, the main board member responsible for all regions outside the Americas. Cochran takes responsibility for Europe, the Middle East and Africa from Lance and reports to him instead of Sir Richard Sykes, chief executive.

Chris Adam meanwhile takes responsibility for the Japan region from his previous position as head of Nippon Wellcome, the majority owned joint venture with Sumitomo. Japan is also an area of relative weakness for the company. Hiroshi Konishi, whose family-owned business has been an equal joint venture partner with Glaxo in Japan since before Glaxo bought Wellcome, continues to report to Sir Richard.

With these moves, Glaxo intends that regional directors such as Raimundo will have a stronger voice close to the top of the companies, with the aim of improving the sales, marketing and production infrastructures in their areas.

Daniel Green

Credit Suisse moves

Credit Suisse Group has turned, for the second time in three years, to its CS First Boston investment banking subsidiary to find a new chief financial officer. Richard Thornburgh, 44, a US investment banker, will replace Phillip Colebatch, 51, an Australian, who has been appointed chief executive of Credit Suisse Asset Management. The appointments take effect at the end of the year.

Credit Suisse Group is in the midst of a major restructuring and its top management team has been in a state of flux following the abrupt resignation of Josef Ackermann, president of Credit Suisse, who had been passed over as chief executive of the enlarged group.

Thornburgh, who has been chief financial and administrative officer of CS First Boston for just over a year, had been tapped to be chief financial officer of the enlarged Credit Suisse First Boston. Credit Suisse will now have to find a new chief financial officer for this side of its business.

Thornburgh joined First Boston, which later became the US arm of CS First Boston, in 1976. He has spent most of his career as an investment banker, and his skills as a chief financial officer of a major multinational have yet to be tested. *William Hall*

Mulcahy for WI Carr

John Mulcahy, who this week takes up the reigns at WI Carr in Hong Kong, is an industry stalwart with a slightly perverse sense of timing. South African by origin, he began his career in journalism and arrived in Hong Kong in 1984, as the territory was racked by uncertainty over its future. He switched into broking (with Vickers da Costa) at the time of the global market crash of October 1987 – and moved over to Peregrine Brokerage just in time to see the market plummet, in the wake of the Tiananmen Square repression of June 1989, from his new seat of regional research director.

His timing this time round may prove tricky for the opposite reason. With the Hong Kong market looking distinctly bullish, job hopping is on the increase. WI Carr, the stockbroking arm of Banque Indosuez, has certainly seen its share of musical chairs. With Mulcahy installed as managing director, below the globe-trotting Nick Harbinson, chief executive, the group will be hoping it can stem the flow without paying sky-high salaries. *Louise Lucas*

Hydro-Quebec chief

André Caillé, 53, has been named president and chief executive of Hydro-Quebec, one of Canada's two biggest electric power utilities, ending a period of management turbulence. He moves over from the top job at Gaz Metropolitain, Quebec's natural gas distributor, on October 1. Both business and diplomatic skills will be needed to keep the utility on an even course.

Hydro, which is owned by the provincial government, earned C$348m in the first half on revenues of C$4bn. With assets of nearly C$53bn at June 30, it is three times the size of Gaz Metro. However, it now faces a tricky combination of domestic price regulation, sluggish domestic market growth and deregulation in the north-eastern US, its main export market.

Caillé must complete a restructuring and cost-cutting exercise and at the same time restore public confidence after two years of political interference and management changes, deal with entrenched trade unions, and keep lines open to the separatist Parti Quebecois government in Quebec city.

Caillé holds a doctorate in chemistry and helped to set up the province's environment department in the 1970s. He moved to Gaz Metro – 68 per cent owned by two provincial agencies and 25 per cent by Gaz de France – in 1982 and became chief executive in 1987.

A new chairman of the Quebec-Hydro board will be appointed soon, following resignation of Yvon Martineau a month ago.

Robert Gibbens

ON THE MOVE

■ CONTINENTAL AIRLINES has named Lloyd Bentsen, the former US treasury secretary, to it board of directors. A former senator who is also a director of American International Group and Ivax Corp., Bentsen becomes the 13th member of Continental board.

■ Former US Federal Reserve chairman Paul Volcker joins the BANKERS TRUST board. He is also a director of Nestlé, Prudential Insurance Co. of America, UAL and the American Stock Exchange.

■ Luis Machuca, previously director of desktop product marketing at Intel, has joined PACKARD BELL NEC to the new position of executive vice-president. The company, based in California, consists of the merged personal computer operations of NEC Corporation and Packard Bell Electronics.

■ Anthony Muller, previously chief financial officer of Centigram Communications, joins MICRO FOCUS GROUP, the US software group, in the same capacity, reporting to Marcelo Gumucio, chief executive. Ron Forbes, his predecessor, becomes vice-president of international finance, responsible for all financial activities outside north America. Loren Hillberg becomes company secretary, replacing Robert Connors who remains chief operating officer.

■ Franklin Raines, former vice-chairman of Fannie Mae, has resigned from the board of BOEING to become head of the US federal office of management and budget.

■ Bernhard Schreier, a member of the management board of Heidelberger Druckmaschinen, joins Germany's LINOTYPE-HELL from November 1, as chief executive. He replaces Erwin Koenigs, who has asked to leave the company.

■ Maxwell Asgari, 57, former president and chief executive of Russian operations at Asea Brown Boveri, has been named chairman of the SUN GROUP OF COMPANIES, a Moscow-based investment and asset management company. He also becomes chief executive of SUN BREWING, a Moscow-based company in which Sun is the main shareholder.

■ Mark Drusch joins DELTA AIR LINES from Continental Airlines, as vice-president – marketing development.

■ Lynn Krieger Mytelka has become director of UNCTAD's newly created division of investment, enterprise development and technology. She was previously a consultant to various international organisations.

■ Mark Schonau has been appointed chief financial officer of VIASOFT, the US software group.

■ Jackie Stephens rises from director of education for Oracle UK, to vice-president of ORACLE EDUCATION for Europe, Middle East and Africa.

■ Geoffrey Roman has been appointed senior vice-president, general manager of GENERAL INSTRUMENT's telecommunications business unit. He was previously senior vice-president of technology for the communications division.

■ David Gilbert has been promoted to the new position of president and chief operating officer of C.ATS SOFTWARE. He will be responsible for managing day-to-day operations, freeing Rod Beckström, chief executive, to focus on strategic initiatives.

■ Christian LeBris, 49, is to head BANK OF AMERICA's private bank in New York. He switches from BoA's corporate side.

■ Alan Free joins AON GROUP, the insurance brokerage and consultancy, as international security co-ordinator.

■ Jacques Theurillat, 37, rises to chief financial officer of ARES-SERONO, the Swiss pharmaceuticals company. He succeeds Hans Thierstein, who has retired at 65, but remains group chairman and senior financial adviser.

■ John MacKay, 56, takes the new position of executive vice-president – Europe at UNITED DOMINION INDUSTRIES, US-based engineered products group.

■ Daniel Abraham, chairman of Slim-Fast Foods, joins the board of WCI STEEL.

■ WITCO CORPORATION, the speciality chemicals company, has confirmed the appointment of Camillo DiFrancesco as chief financial officer and senior vice-president.

■ Jean-Louis Raymond joins Belgian retailer GIB GROUP as a general director responsible for day-to-day management of group activities.

■ Sean Finn becomes treasurer and principal tax counsel at CANADIAN NATIONAL, Canada's largest, and North America's sixth largest freight railway.

■ Giora Bitan is resigning after nine years as chief financial officer of SCITEX.

■ James Callahan has resigned as president of CIBA-GEIGY's US pharmaceuticals unit and chief executive designate of Novartis Pharmaceuticals, the US pharmaceuticals division to be formed from the merger of Ciba and Sandoz.

■ Donald Ncube, executive chairman of Real Africa Group, adds AMALGAMATED BANKS OF SOUTH AFRICA to his portfolio of non-executive directorships.

■ Joerg Bickenbach, state secretary of the North Rhine Westphalia Ministry of Finance, Small Businesses and Technology, and Juergen Heraeus, chairman of the management board of Heraeus Holding, join the supervisory board of IKB DEUTSCHE INDUSTRIEBANK.

■ Yves Laneuville becomes senior vice-president international of SUN LIFE ASSURANCE COMPANY OF CANADA and Robert Sharkey chief actuary.

■ Gyorgy Szapary has been appointed president of the NATIONAL BANK OF HUNGARY for the next three years.

■ Viv Bartlett, executive director of South Africa's FIRST NATIONAL BANK HOLDINGS, replaces Barry Swart as managing director.

■ Thomas Kalaris has been named president of BZW SECURITIES, the US securities arm of BZW, the investment banking division of Barclays Bank.

■ David Chen joins EATON CORPORATION as president for China, based in Shanghai.

■ Charles Mallis has been appointed managing director of global financial institutions at BANKBOSTON, the 15th largest bank holding company in the US.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

Emu bullishness lifts Europe's high-yielders

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

US bonds traded quietly yesterday as market participants braced themselves for a possible change today in the Federal Reserve's policy on interest rates.

Europe's core markets, led by Germany, were unsettled by concern over the health of Mr Boris Yeltsin, the Russian president, while high-yielding Italian and Spanish bonds outperformed on renewed Emu bullishness.

■ German bunds closed lower on profit-taking. Liffe's December bund future settled at 97.88, down 0.37, while in the cash market, the 10-year benchmark bond lost 0.40 to 100.28. Observers said the market was hit by investors putting on convergence trades.

Analysts divided over likelihood of Federal Reserve rate move

Analysts are split over whether the US Federal Reserve will move to change interest rates today – but a small majority expects a tightening, according to a survey published yesterday.

In the study by MMS International, the research group which is a division of Standard & Poor's, 44 per cent of 433 analysts questioned said they expected no change. A 25 basis point tightening was predicted by 48 per cent, 8 per cent forecast a 50 point rise, one predicted an increase of 35 points and another a rise of 75 points.

Among US institutions, the majority of those in favour of a tightening was larger, at 57 per cent – of which 6 per cent said they expected a rise of more than 25 basis points.

In Asia, almost half the analysts expected no change, but the proportion of those expecting an aggressive tightening of more than 25 basis points was higher than elsewhere, at 16 per cent.

■ Europe's high-yielding bonds were bolstered by the weekend's Ecofin meeting in Dublin, which revived expectations of yield convergence towards German levels.

Italian BTPs were firm relative to other markets throughout the day, as the lira rose to less than L1,004 against the D-Mark. Liffe's December BTP future settled at 118.71, down 0.04, while in the cash market the spread over bunds tightened by 5 basis points to 282 points.

Prices fell in after-hours trading, however, and the BTP future touched an intraday low of 118.16, as the release of preliminary consumer price data from some of the main cities showed stronger inflationary pressures than anticipated.

Uncertainty over the forthcoming budget also weighed on the market, as new tensions surfaced between the government and its coalition partners over envisaged spending cuts.

Spanish bonos also outperformed bunds, their 10-year yield spread tightening by 6 basis points to 191 points.

The December futures contract on 10-year bonos was down 0.01 at 105.27.

Analysts said the market was supported by rumours that Spain's chances of joining the single European currency on schedule in 1999 were improving.

■ UK gilts were also weak, but outperformed German bunds. Liffe's December long gilt future closed at 107⅜, down ¼. In the cash market, the 10-year yield spread over bunds narrowed by 3 basis points to 176 points.

Although uncertainty over the US Fed's intentions weighed on sentiment, traders were reassured by the fact that no action had been taken on the UK base rate.

■ French bonds traded in line with bunds. The Matif's December notional future settled at 123.84, down 0.36. Short-term rates, however, proved more resilient, helped by hopes of further cuts in official rates by the Bank of France. The December Pibor future closed 0.04 lower at 96.20.

■ US Treasury prices fell modestly in quiet trading as the market held its breath ahead of today's meeting of the Federal Reserve's Open Market Committee.

Near midday, the benchmark 30-year Treasury was down 3/32 at 96¾ to yield 7.052 per cent and at the short end of the maturity spectrum, the two-year note was 1/32 lower at 99¾, yielding 6.245 per cent. The December 30-year bond future fell 3/32 to 107⅞.

For the first time in several months there was a great deal of uncertainty about whether the Fed would raise interest rates at Tuesday's meeting.

Economic data have shown the economy to be growing at a moderate pace, but last week the market priced in a small interest rate increase after a news agency reported that eight out of 12 regional Fed presidents favoured such a move.

Philippines sets benchmark with Brady bond buy-back

INTERNATIONAL BONDS

By Conner Middelmann

The Philippines' Brady bond restructuring closed successfully yesterday, with the government issuing $690m in 20-year fixed-rate eurobonds, setting a benchmark for other Asian borrowers.

The new bonds were priced to yield 225 basis points over US Treasuries – the lowest-accepted spread bid by investors – reflecting strong demand for exposure to this improving credit. The yield spread narrowed to 200 basis points during yesterday's trading.

"The Philippines have been able to issue uncollateralised debt at a spread of 225 basis points, compared with 445 basis points on Mexico's recent issue of 20-year bonds – and they have the same rating," noted a syndicate official at lead manager J.P. Morgan. Both are rated BB by Standard & Poor's and Ba2 by Moody's.

The Philippine offering was buoyed by widespread speculation that its rating is set to improve, after strong economic fundamentals and a recent peace agreement with Moslem guerrillas. "This is a classic case of a country heading for an upgrade," said an emerging market specialist in London.

Spreads on Philippine eurobonds have narrowed sharply in recent months – due to the relative scarcity of bonds from the country and strong demand among Asian investors for local securities.

The Philippines is using most of the proceeds to buy back some $635m of Brady bonds issued nearly four years ago to replace distressed commercial bank loans. The rest may be used to repurchase more expensive multilateral debt.

Lloyds TSB Group raised £250m via two subordinated bond issues: £100m of structured floating-rate notes and £150m of fixed-rate 15-year bonds yielding 95 basis points over gilts. The proceeds will be used to top up the group's regulatory capital as part of its plans to acquire the minority interest in Lloyds Abbey Life.

Lead manager SBC Warburg said the issues were sold out on the day. The fixed-rate tranche went mainly to UK life insurers and fund managers, with the floating-rate part going to corporations, banks, money market funds and other European institutions.

The D-Mark sector is preparing for a DM300m floating-rate issue for Komercni Banka, the Czech Republic's largest bank, which is expected to be priced this week at a spread in the low 20s over Libor. Deutsche Morgan Grenfell and Merrill Lynch are joint leads.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
[illegible]							
Republic of the Philippines(a)	690	8.75#	95.481	Oct 2016	-	+225(8⅞%-26)	JP Morgan Securities
Banque Indosuez(b)‡	200	(b1)	100.00R	Oct 2006	0.40R	-	Citibank/Morgan Stanley
Stadshypotek(c)	100	(c1,l)	99.964	Mar 1999	0.10	-	Salomon Brothers Intl
Banque de la Mediterranée	100	8.75#	99.67R	Oct 1998	1.00R	+265(WI 2yr)	Merrill Lynch International
[illegible]							
Hewlett Packard Finance(s)	250	5.25	100.00R	Dec 2001	0.25R	+29.4(0.119)	Citibank
Daewoo Corp	200	5.00	99.40R	Oct 1999	0.30R	+97(B.112)	Dresdner-KB
[illegible]							
Lloyds TSB Group	150	9.125	99.036R	Oct 2011	0.55R	+95(8%-2012)	SBC Warburg
Lloyds TSB Group(d)‡	100	(d1)	99.78R	Oct 2006	0.40R	-	SBC Warburg
[illegible]							
Royal Hoogovens	200	6.75	99.975R	Oct 2004	0.375R	+90(l)	Rabobank International
[illegible]							
Rabobank Nederland(e)	500bn	zero	17.65R	Oct 2016	0.10R	-	Credito Italiano
[illegible]							
LB Schleswig-Holstein	100	8.25	101.20	Oct 1999	1.50	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Brady bond exchange offer. b) Callable in Apr 1999 and from Oct 2001 at par. b1) 3-mth Libor +30bp to Oct 2001, then +100bp. c) Fungible with $200m. Plus accrued. c1) 3-mth Libor flat. d) Callable from Oct 2001 at par. d1) 3-mth Libor +30bp to Oct 2001, then +80bp. e) Callable on 20/10/06 at par. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Suez Cement to make GDR issue

A consortium of Egyptian government-owned banks yesterday announced their plans to sell 8.2m shares in Suez Cement in the form of Global Depositary Receipts. At current market prices, the GDR issue values the company at $125m. Suez shares closed yesterday at E£53.25. Salomon Brothers has been retained as the lead manager and global co-ordinator for the sale of the GDRs – certificates issued representing the underlying shares. The shares being offered represent 16 per cent of the company.

National Bank of Egypt will sell 4.2m of its shares in the company, and Misr Bank, Alexandria Bank and Banque Du Caire will each sell 1m shares. Assuit Cement, a state subsidiary, will sell a further 1m shares. Mr Mahmoud Abdel Aziz, NBE chairman, said the GDR offer would take place in December, "on a timetable to be announced shortly". The issue will be floated on the London Stock Exchange.

Suez Cement has been one of the most profitable Egyptian companies in what is one of the fastest growing sectors of the country's economy. It was valued earlier this year by Flemings at E£2.1bn ($620m). The company made a net profit of E£280m on total sales of E£466m in 1995. It owns two cement factories with a total output of 2.9m tons a year, and intends to open a third factory by 1999.

The GDR issue will reduce the government's shareholding in Suez Cement to less than 60 per cent. NBE indicated that another local share offering may accompany the sale. The state has already floated 23 per cent of Suez Cement on the Cairo market, most of which was bought by partially privatised cement companies. This is the second GDR offering in Egypt. In July NBE floated $120m worth of shares in Commercial International Bank.

Sean Evers, Cairo

Liffe rises to Emu challenge

The London International Financial Futures and Options Exchange yesterday announced the launch of the first European contract on very short-term interest rates – a futures contract on one-month euromark rates. The exchange described the new instrument as "part of its strategy in preparation for . . . economic and monetary union". Trading in the new futures contract, which will take place on Liffe's open outcry floor, will start on November 21.

"Emu is the greatest challenge facing European financial futures and options exchanges," said Mr Jack Wigglesworth, Liffe chairman. "Part of Liffe's stated Emu strategy is to enhance our range of products, and, in particular, along the D-Mark yield curve."

Liffe dominates trading in futures on three-month euromark rates and 10-year German government bonds, with average daily volumes of more than 130,000 contracts in each. Launching a one-month future was partly inspired by the growing use of similar instruments in the over-the-counter – or non-exchange listed – derivatives market.

Samer Iskandar, London

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.6890	+0.070	7.96	8.02	8.12
Austria		6.250	05/06	99.8900	–0.350	6.16	6.15	6.31
Belgium		7.000	05/06	104.1500	–0.250	6.40	6.40	6.62
Canada *		7.000	12/06	97.4200	–0.140	7.36	7.30	7.31
Denmark		8.000	03/06	105.7400	–0.240	7.13	7.13	7.25
France	BTAN	5.500	10/01	100.7420	–0.180	5.33	5.32	5.44
	OAT	6.500	10/06	102.0600	–0.260	6.22	6.17	6.35
Germany Bund		6.250	04/06	100.2800	–0.400	6.20	6.17	6.29
Ireland		8.000	08/06	105.6300	–0.030	7.18	7.26	7.55
Italy		9.500	02/06	104.1300	-	8.84†	8.98	9.32
Japan	No 140	6.600	06/01	0.0000	-	1.77	1.82	2.16
	No 182	3.000	09/05	0.0000	-	2.85	2.90	3.18
Netherlands		8.500	06/06	117.3300	–0.300	6.07	6.09	6.29
Portugal		9.500	02/06	109.1000	–0.160	8.07	8.28	8.68
Spain		8.800	04/06	104.3800	+0.090	8.11	8.42	8.90
Sweden		8.000	02/05	90.0280	–0.160	7.65	7.80	8.18
UK Gilts		8.000	12/00	103–06	–6/32	7.10	6.93	7.08
		7.500	12/06	97–25	–8/32	7.82	7.72	7.83
		9.000	10/08	108–06	–5/32	7.93	7.85	7.95
US Treasury *		7.000	07/06	101–01	–4/32	6.84	6.71	6.53
		6.750	08/26	96–09	–3/32	7.05	6.95	6.78
ECU (French Govt)		7.000	04/06	103.3900	+0.090	6.51	6.84	6.79

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.26
Prime rate	8¼	Two month	-	Three year	6.43
Broker loan rate	7	Three month	5.30	Five year	6.63
Fed.funds	5⅜	Six month	5.53	10-year	6.84
Fed.funds at intervention	-	One year	5.86	30-year	7.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	124.20	123.84	–0.36	124.20	123.76	62,329	208,354
Mar	124.06	123.70	–0.36	124.06	124.06	2	18,781
Jun	122.98	122.62	–0.36	122.98	122.98	2	194

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
121	-	-	-	-	0.07	0.16
122	-	-	-	0.01	0.16	0.34
123	0.90	1.23	1.45	0.02	0.35	0.57
124	0.17	0.58	0.86	0.29	0.69	0.95
125	0.02	0.21	0.47	-	1.33	-

Est. vol. total, Calls 10,476 Puts 12,650. Previous day's open int., Calls 152,899 Puts 161,857.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.33	97.88	-0.37	98.33	97.77	129387	232279
Mar	97.11	96.92	-0.37	97.12	97.11	180	1820

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9800	0.28	0.67	0.91	0.92	0.03	0.42	0.66	1.63
9850	0.04	0.40	0.64	0.72	0.29	0.65	0.89	1.93
9900	0	0.22	0.43	0.55	0.75	0.97	1.18	2.26

Est. vol. total, Calls 22905 Puts 12569. Previous day's open int., Calls 180786 Puts 172989

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118.80	118.71	-0.04	119.05	118.16	44440	78339
Mar		118.01	-0.04			0	718

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11850	1.42	1.79	1.17	2.24
11900	1.16	1.56	1.41	2.51
11950	0.92	1.35	1.67	2.80

Est. vol. total, Calls 10204 Puts 11500. Previous day's open int., Calls 73148 Puts 102320

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	105.33	105.26	–0.02	105.95	105.11	98,197	75,764

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-01	108-02	-0-08	108-02	107-29	1641	12780
Dec	107-19	107-12	-0-08	107-19	107-05	33568	121541

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
107	0-41	1-10	1-32	1-51	0-01	0-34	0-56	1-59
108	0-03	0-39	0-61	1-21	0-27	0-63	1-21	2-29
109	0	0-17	0-36	0-62	1-24	1-41	1-60	3-06

Est. vol. total, Calls 1363 Puts 829. Previous day's open int., Calls 21643 Puts 19213

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.76	92.84	+0.08	92.98	92.76	2,620	7,085

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	107–22	107–17	–0–07	107–25	107–14	124,820	371,668
Mar	107–03	107–02	–	107–04	107–01	7,787	20,218
Jun	–	106–28	–	–	–	1,921	4,784

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.14			122.14	122.06	81	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Sep 23	Day's change %	Fri Sep 20	Accrued interest	xd adj. ytd		Low coupon yield Sep 23	Sep 20	Yr. ago	Medium coupon yield Sep 23	Sep 20	Yr. ago	High coupon yield Sep 23	Sep 20	Yr. ago
1 Up to 5 years (22)	120.89	–0.24	121.17	1.75	7.89	5 yrs	7.24	7.18	7.65	7.30	7.22	7.64	7.35	7.24	7.73
2 5-15 years (20)	148.22	–0.34	148.72	3.13	7.51	15 yrs	8.05	8.00	8.11	8.06	8.01	8.15	8.04	8.01	8.23
3 Over 15 years (9)	161.27	–0.50	162.08	2.29	9.83	20 yrs	8.15	8.10	8.14	8.15	8.10	8.17	8.14	8.09	8.25
4 Irredeemables (6)	185.81	–0.55	186.84	3.50	8.47	Irred.†	8.21	8.18	8.20						
5 All stocks (56)	142.24	–0.33	142.72	2.51	8.15										

Index-linked							Inflation 5% Sep 23	Sep 20	Yr. ago	Inflation 10% Sep 23	Sep 20	Yr. ago
6 Up to 5 years (1)	201.15	0.04	201.07	3.66	4.43	Up to 5 yrs	1.15	1.16	2.98	–0.62	–0.61	1.87
7 Over 5 years (11)	189.91	–0.08	190.06	1.24	3.65	Over 5 yrs	3.57	3.56	3.60	3.35	3.34	3.40
8 All stocks (12)	190.03	–0.08	190.18	1.29	3.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 23	Sep 20	Sep 19	Sep 18	Sep 17	Yr ago	High*	Low*
Govt. Secs. (UK)	93.15	93.31	93.54	93.14	93.32	93.53	96.34	91.59
Fixed Interest	113.15	113.15	113.14	113.10	113.18	112.42	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16
Gilt Edged bargains	93.2	98.3	99.1	95.9	92.2
5-day average	95.3	93.9	90.8	87.0	85.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 23

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅛	97½	-⅛	7.05
ABN Amro Bank 7¼ 05	1000	99⅛	99⅜		7.52
African Dev Bk 7⅜ 23	500	94⅞	93⅞	-⅛	7.83
Alberta Province 7⅝ 98	1000	102⅞	102⅜	-⅛	6.50
Asian Dev Bank 6¼ 05	750	94⅝	94⅞	-⅛	7.18
[illegible]					
Sweden 8 97	2500	104⅞	105		3.46
United Kingdom 7¼ 97	5500	104	104		3.34
Volkswagen Intl Fin 7 03	1000	105⅛	105¼	+⅛	6.04
World Bank 0 15	2000	33⅛	33½		5.91
World Bank 5⅞ 03	3000	100½	100¾	-⅛	5.78
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅞	101⅛	-¼	7.81
British Land 8⅞ 23 £	150	91⅞	92¼	-⅛	9.97
Denmark 6¾ 98 £	800	100¼	100⅜	-⅛	6.60
Depfa Finance 7⅛ 03 £	500	96⅛	96⅜	-¼	7.85
EIB 8 03 £	1000	101⅞	102⅛	-⅛	7.62
Glaxo Wellcome 8¾ 05 £	500	102⅝	102⅞	-⅛	8.32
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Conversion 10pc 1996	9.95	5.45	100½	-⅛	103⅛	100½
Treas 13¼pc 1997‡‡	12.94	5.83	102⅜		106⅝	100½
Exch 10½pc 1997	10.31	5.64	101⅞	-⅛	107⅞	101⅞
Treas Cnv 7pc 1997‡‡	6.94	5.86	100⅝	-⅛	101⅜	99⅞
Treas 8¾pc 1997‡‡	8.54	5.92	102⅜	-⅛	107⅜	102⅞
Exch 15pc 1997	13.73	5.99	109¼	-⅛	115⅛	102⅞
Exch 9¾pc 1998	9.35	6.20	104⅜	-⅛	106⅞	104⅜
Treas 7¼pc 1998‡‡	7.16	6.30	101⅜	-⅛	102⅛	99⅞
Treas 6¾pc 1995-98‡‡	6.75	5.70	100	-⅛	104⅛	98⅛
[illegible]						
Treas 7½pc 2006‡‡	-	7.81	97⅜	-⅛	101⅜	94⅞
Treas 7¾pc 2006‡‡	7.81	7.84	99⅜	-⅛	102¼	96⅜
Treas 8pc 2002-6‡‡	20.38	7.81	100⅞		104⅜	97⅞
Treas 11¾pc 2003-7	9.74	7.55	120⅝	-⅛	125⅜	118⅞
Treas 8½pc 2007 ‡‡	8.16	7.86	104⅜	-⅛	108⅞	101⅜
Treas 13½pc 2004-8	10.06	7.48	134⅜xd		138⅞	130⅞
Treas 9pc 2008 ‡‡	8.38	7.92	108⅛	-⅛	112⅞	105
Treas 8pc 2009	7.99	7.97	100⅛xd	-⅛	104½	98⅞
[illegible]						

Index-Linked	(b)	(1)	(2)	Price £	+ or –	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	0.32	2.09	114⅛	+⅛	114⅛	111⅛
2½pc '01	(78.3)	2.74	3.32	182⅛xd	-⅛	182⅞	174⅞
2½pc '03	(78.8)	3.03	3.47	178¼	-⅛	178⅞	170⅞
4⅜pc '04‡‡	(135.6)	3.10	3.49	116⅞	-⅛	116⅞	112⅞
2pc '06	(69.5)	3.26	3.56	186¾	-⅛	186⅞	179
2½pc '09	(78.8)	3.30	3.64	167⅞	-⅛	167¼	161⅛
2½pc '11	(74.6)	3.46	3.69	172⅞	-⅛	173⅞	166⅛
2½pc '13	(89.2)	3.51	3.71	141⅞	-⅛	143	136⅛
2½pc '16	(81.6)	3.56	3.74	150⅞	-⅛	152⅛	145⅛
[illegible]							

■ "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Markets hold breath over US interest rates

MARKETS REPORT

By Richard Adams

Anticipation of today's crucial US monetary policy meeting continued to dampen down currency markets yesterday to leave a slow day of trading.

Market analysts were still divided over whether today's Federal Open Markets Committee meeting would result in an increase in the Federal funds rate or discount rate. A survey by MMS International of 433 "Fedwatchers" found that 48 per cent expected a 25 basis points rate rise, 44 per cent expected no change, and 8 per cent expected a 50 basis points rise.

The dollar was little moved against the D-Mark. By close of trading in London yesterday it had fallen slightly, to DM1.5134, from the previous closing level of DM1.5149. Against the yen it was slightly up at Y109.840, from Y109.795.

The dollar was also very stable against sterling, with the pound worth $1.5569 compared with $1.5551.

The D-Mark fell slightly on European cross-rates, as the European Union finance minister's meeting in Dublin at the weekend supported market optimism about European monetary union.

The European currency unit (Ecu) rose to DM1.903, its highest level since 1994, from DM1.900. The French franc firmed to FFr3.385 against the D-Mark, from FFr3.389.

■ HSBC Markets in London was probably the only institution to headline its weekly market report "Fed tightening – who cares?"

Mr Mark Cliffe, HSBC Markets' chief international economist, argued that a good case could be made for the Fed's cautious approach so far in not raising rates, with a slowing economy and tame inflation.

Mr Cliffe identified a key point of concern: is a rate rise today likely to be a "one-off" or the first of a series of rises?

"Unlike 1994, a hike is likely be a one-off adjustment rather than the first of a series. More importantly, the Fed would probably be at pains to portray it as such."

Mr David de Rosa, the former foreign exchange director at SBC Warburg in New York, now managing partner of Quadrangle Investments in Connecticut, said that the language the Fed decides to use in explaining any rate rise today would make a great deal of difference to asset and currency prices.

Mr de Rosa said if the post-FOMC statement used phrases such as "pre-emptive strike" or "accommodative stance," then Wall Street could react by selling assets, driving the dollar down.

"But if the markets read it as a one-off, it will be slightly bullish for the dollar and that's the end of it," he said.

He added: "What they are worried about is not a one-off change, but a series of changes," as in February 1994. A clearly indicated one-off rate rise, however, would mean "parties on Wall Street."

Mr Philip Shaw, chief economist at Union Discount in London, said very recent data showing increased new housing sales has led the markets to expect a 25 basis point rate rise.

"The markets may have overplayed its implications – because new housing was one of the last indicators before the meeting, it may have exaggerated its prominence," Mr Shaw said.

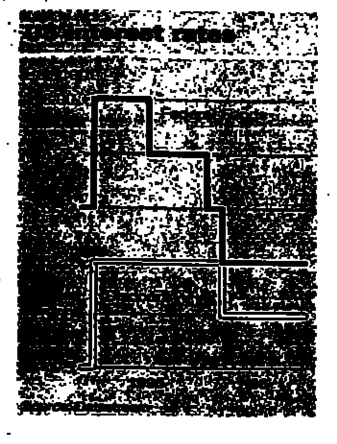
He said that US yield curves showed investors were expecting small interest rate increases towards the end of the year, in November or December, although the curves were "slightly ambivalent" whether there would be one rise or two.

■ Worries about the health of Mr Boris Yeltsin, the Russian president, prompted a brief upwards flurry for the Swiss franc.

Yesterday the franc rose against the D-Mark, to SFr0.816 from SFr0.818. Against the dollar it rose to SFr1.2349 from SFr1.2399.

However, comments at the weekend by Mr Bruno Gehrig, a board member of the Swiss National Bank, may have added upward momentum to the Swiss franc.

Mr Gehrig said the SNB's monetary policy does take the level of the Swiss franc into account, but efforts to change its market value can only be temporary. The implication is that the SNB would not stand in the way of a rise in the Swiss franc.



■ Pound in New York

Sep 23	--Latest--	-- Prev. close --
£ spot	1.5567	1.5555
1 mth	1.5566	1.5552
3 mth	1.5570	1.5555
1 yr	1.5671	1.5655

■ OTHER CURRENCIES

Sep 23	£	$
Czech	41.8325 - 41.8931	26.8750 - 26.8900
Hungary	238.172 - 239.272	153.650 - 153.710
Iran	4671.80 - 4680.30	3000.00 - 3005.00
Kuwait	0.4665 - 0.4669	0.2997 - 0.2998
Poland	4.2425 - 4.2488	2.7250 - 2.7290
Russia	8387.32 - 8404.75	5385.00 - 5397.00
UAE	5.7167 - 5.7201	3.6728 - 3.6731

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WORLD INTEREST RATES

MONEY RATES

September 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3¼	3⅜	6.00	2.50	-
week ago	3¼	3¼	3⅛	3¼	3⅜	6.00	2.50	-
France	3⅜	3½	3⅜	3⅜	3½	3.35	-	4.75
week ago	3⅝	3½	3⅜	3⅜	3½	3.35	-	4.75
Germany	2⅞	3	3	3⅛	3¼	4.50	2.50	3.00
week ago	3	3¼	3¼	3¼	3⅜	4.50	2.50	3.00
Ireland	5⅞	5⅝	5⅝	5⅞	6	-	-	6.25
week ago	5¾	5⅝	5⅝	5⅞	6	-	-	6.25
Italy	8⅝	8⅝	8⅝	8½	7⅞	-	8.25	8.50
week ago	8⅝	8⅝	8⅝	8⅝	8	-	8.25	8.50
Netherlands	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
Switzerland	1½	1½	1⅝	1⅞	1⅞	-	1.50	-
week ago	1⅝	1½	1⅝	1⅞	1⅞	-	1.50	-
US	5⅛	5¼	5⅝	5⅝	6⅛	-	5.00	-
week ago	5⅜	5¼	5⅜	5⅝	6	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅝	5⅝	6⅛	-	-	-
week ago	-	5⅜	5⅜	5⅝	6	-	-	-
US Dollar CDs	-	5.18	5.30	5.45	5.75	-	-	-
week ago	-	5.18	5.21	5.35	5.64	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4¼	-	-	-
week ago	-	4⅛	4⅛	4⅛	4¼	-	-	-
SDR Linked Ds	-	3¾	3¾	3⅞	3⅞	-	-	-
week ago	-	3¾	3¾	3⅞	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

POUND SPOT FORWARD AGAINST THE POUND

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5774	+0.0021	694 - 854	16.5976	16.5566	16.5482	2.3	16.4712	2.8	-	-	104.8
Belgium	(BFr)	48.5130	+0.0094	694 - 566	48.5720	48.4520	48.418	2.3	48.228	2.3	47.458	2.2	105.5
Denmark	(DKr)	9.0534	-0.0032	493 - 573	9.0747	9.0462	9.0395	1.8	9.0193	1.5	8.9115	1.6	107.5
Finland	(FM)	7.0521	+0.0044	464 - 578	7.0600	7.0420	7.0477	0.7	7.0398	0.7	-	-	85.4
France	(FFr)	7.9747	-0.0096	713 - 780	7.9928	7.9673	7.9605	2.1	7.9385	1.9	7.8296	1.8	109.0
Germany	(DM)	2.3582	+0.0004	561 - 573	2.3601	2.3522	2.3513	2.5	2.3418	2.8	2.2984	2.4	108.3
Greece	(Dr)	372.335	-1.63	294 - 787	374.730	370.504	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9718	+0.0015	710 - 725	0.9725	0.9697	0.9713	0.6	0.9701	0.7	0.9656	0.6	98.7
Italy	(L)	2369.91	-0.65	821 - 161	2372.54	2365.25	2375.48	-2.8	2385.21	-2.6	2417.81	-2.0	77.0
Luxembourg	(LFr)	48.5130	+0.0094	694 - 566	48.5720	48.4520	48.418	2.3	48.228	2.3	47.458	2.2	105.5
Netherlands	(Fl)	2.6413	+0.0002	398 - 427	2.6449	2.6362	2.6352	2.8	2.6238	2.7	2.5755	2.5	108.7
Norway	(NKr)	10.0686	-0.0016	598 - 687	10.0917	10.0490	10.0553	1.0	10.0385	1.0	9.9548	1.1	98.6
Portugal	(Es)	239.911	-0.243	779 - 042	240.325	239.301	240.355	-2.1	241.241	-2.2	-	-	95.2
Spain	(Pta)	198.162	-0.059	050 - 244	198.309	197.873	198.422	-1.6	198.937	-1.6	200.337	-1.1	80.5
Sweden	(SKr)	10.2748	-0.0158	643 - 852	10.3021	10.2592	10.2751	0.0	10.2732	0.0	10.2795	0.0	86.2
Switzerland	(SFr)	1.9225	-0.0057	213 - 237	1.9307	1.9199	1.9176	3.1	1.9087	3.3	1.8585	3.3	111.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.1
Ecu	-	1.2375	-0.0029	370 - 379	1.2413	1.2357	1.2362	1.3	1.2332	1.4	1.2199	1.4	-
SDR†	-	1.074600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5567	+0.0023	562 - 571	1.5571	1.5510	-	-	-	-	-	-	-
Brazil	(R$)	1.5878	+0.0018	872 - 884	1.5884	1.5823	-	-	-	-	-	-	-
Canada	(C$)	2.1279	-0.0002	270 - 288	2.1298	2.1221	2.1272	0.4	2.1235	0.8	2.1155	0.6	84.2
Mexico	(New Peso)	11.8208	+0.0099	138 - 277	11.8277	11.7231	-	-	-	-	-	-	-
USA	($)	1.5569	+0.0018	565 - 573	1.5573	1.5517	1.5565	0.3	1.5562	0.2	1.5587	-0.1	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.9652	+0.0025	640 - 663	1.9663	1.9599	1.9678	-1.8	1.9728	-1.5	1.9981	-1.7	93.5
Hong Kong	(HK$)	12.0384	+0.0131	349 - 418	12.0418	11.9995	12.0303	0.8	12.0187	0.7	11.9989	0.3	-
India	(Rs)	55.5036	-0.0136	779 - 292	55.5550	55.4000	-	-	-	-	-	-	-
Israel	(Shk)	4.9387	+0.0034	335 - 438	4.9545	4.9296	-	-	-	-	-	-	-
Japan	(Y)	171.010	+171	904 - 116	171.130	170.400	170.285	5.1	168.795	5.2	162.36	5.0	132.7
Malaysia	(M$)	3.8936	+0.0043	922 - 950	3.8950	3.8831	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2204	+0.0057	290 - 317	2.2317	2.2212	2.2254	-2.7	2.2349	-2.6	2.2787	-2.2	109.8
Philippines	(Peso)	40.8531	+0.0473	803 - 258	40.9258	40.7803	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8392	+0.0068	373 - 410	5.8410	5.8201	-	-	-	-	-	-	-
Singapore	(S$)	2.1910	+0.0014	900 - 919	2.1919	2.1856	-	-	-	-	-	-	-
South Africa	(R)	7.0255	+0.0213	198 - 312	7.0312	7.0008	-	-	-	-	-	-	-
South Korea	(Won)	1278.60	+3.18	820 - 901	1279.01	1274.41	-	-	-	-	-	-	-
Taiwan	(T$)	42.8183	+0.051	897 - 429	42.8429	42.6624	-	-	-	-	-	-	-
Thailand	(Bt)	39.5087	+0.0383	948 - 227	39.5227	39.3850	-	-	-	-	-	-	-

† Rates for Sep 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6477	-0.011	453 - 501	10.6610	10.6375	10.6282	2.2	10.5862	2.3	10.4027	2.3	104.7
Belgium	(BFr)	31.1600	-0.03	400 - 800	31.2370	31.1400	31.105	2.1	30.9975	2.1	30.495	2.1	105.2
Denmark	(DKr)	5.8150	-0.0088	140 - 160	5.8381	5.8140	5.8075	1.5	5.7905	1.7	5.7215	1.6	106.9
Finland	(FM)	4.5296	-0.0024	271 - 321	4.5426	4.5271	4.5231	1.7	4.5111	1.6	4.4656	1.4	84.8
France	(FFr)	5.1222	-0.0122	213 - 230	5.1421	5.1210	5.1147	1.8	5.1007	1.7	5.0317	1.8	105.7
Germany	(DM)	1.5134	-0.0015	131 - 137	1.5189	1.5121	1.5107	2.1	1.505	2.2	1.4777	2.4	107.7
Greece	(Dr)	239.280	-1.325	180 - 380	241.210	238.220	240.855	-8.4	244.305	-8.4	255.28	-7.0	66.7
Ireland	(I£)	1.6022	-0.0005	014 - 030	1.6030	1.5985	1.6026	-0.4	1.6037	-0.4	1.5852	0.4	-
Italy	(L)	1522.20	-2.18	150 - 290	1526.44	1521.18	1526.95	-3.7	1535.1	-3.4	1557.85	-2.3	76.8
Luxembourg	(LFr)	31.1600	-0.03	400 - 800	31.2370	31.1400	31.105	2.1	30.9975	2.1	30.495	2.1	105.2
Netherlands	(Fl)	1.6965	-0.0016	960 - 970	1.7026	1.6955	1.6931	2.4	1.686	2.5	1.6542	2.5	106.2
Norway	(NKr)	6.4640	-0.0085	625 - 655	6.4869	6.4625	6.4611	0.5	6.4555	0.5	6.419	0.7	97.8
Portugal	(Es)	154.095	-0.335	050 - 140	154.680	153.890	154.41	-2.5	155	-2.3	157.145	-2.0	95.8
Spain	(Pta)	127.280	-0.185	260 - 300	127.600	127.260	127.53	-2.4	127.98	-2.1	129.5	-1.7	80.2
Sweden	(SKr)	6.5995	-0.0177	945 - 045	6.6277	6.5945	6.5985	0.2	6.601	-0.1	6.576	0.4	86.5
Switzerland	(SFr)	1.2349	-0.005	344 - 353	1.2420	1.2340	1.2314	3.4	1.2239	3.6	1.1906	3.6	110.9
UK	(£)	1.5569	+0.0018	565 - 573	1.5573	1.5517	1.5565	0.3	1.5562	0.2	1.5587	-0.1	85.7
Ecu	-	1.2582	+0.0044	580 - 583	1.2586	1.2527	1.259	-0.7	1.2606	-0.8	1.2694	-0.9	-
SDR†	-	0.69160	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0199	-	197 - 200	1.0200	1.0197	-	-	-	-	-	-	-
Canada	(C$)	1.3668	-0.0017	665 - 670	1.3674	1.3664	1.3666	0.1	1.3669	0.0	1.3697	-0.2	83.5
Mexico	(New Peso)	7.5925	+0.049	900 - 950	7.5950	7.5600	7.754	-25.5	7.939	-18.3	8.7025	-27.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.2621	+0.0001	616 - 626	1.2631	1.2618	1.2641	-1.9	1.2678	-1.7	1.2883	-1.9	95.0
Hong Kong	(HK$)	7.7323	-0.0005	320 - 325	7.7326	7.7320	7.733	-0.1	7.7348	-0.1	7.7818	-0.4	-
India	(Rs)	35.6500	-0.05	500 - 500	35.8500	35.4500	35.8	-5.0	36.105	-5.1	37.575	-5.4	-
Israel	(Shk)	3.1721	-0.0015	696 - 746	3.1746	3.1696	-	-	-	-	-	-	-
Japan	(Y)	109.840	+0.045	800 - 880	110.040	109.770	109.395	4.9	108.495	4.9	104.755	4.6	133.3
Malaysia	(M$)	2.5009	-0.0001	006 - 011	2.5030	2.5005	2.5018	-0.4	2.5079	-1.1	2.5314	-1.2	-
New Zealand	(NZ$)	1.4281	+0.0027	255 - 286	1.4331	1.4319	1.4356	-2.6	1.4414	-2.5	1.466	-2.3	-
Philippines	(Peso)	26.2400	-	000 - 800	26.2800	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0002	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4073	-0.0007	070 - 075	1.4095	1.4067	1.4038	3.0	1.3978	2.7	1.3723	2.5	-
South Africa	(R)	4.5125	+0.0085	100 - 150	4.5150	4.5050	4.56	-12.6	4.65	-12.2	4.9875	-10.5	-
South Korea	(Won)	821.250	+1.1	200 - 300	821.600	821.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5010	+0.001	910 - 110	27.5110	27.4910	27.506	-0.2	27.511	-0.1	-	-	-
Thailand	(Bt)	25.3765	-0.006	740 - 790	25.3890	25.3740	25.484	-5.1	25.654	-4.4	26.2915	-3.6	-

† SDR rate per $ for Sep 20 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 20: Base average 1990=100.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.25	96.20	-0.04	96.26	96.18	17,690	59,414
Mar	96.17	96.15	-0.04	96.21	96.13	3,676	39,893
Jun	96.04	96.02	-0.04	96.07	96.02	1,572	24,118

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.81	96.78	-0.03	96.81	96.76	15023	228148
Mar	96.71	96.67	-0.04	96.71	96.67	10161	210304
Jun	96.50	96.47	-0.05	96.51	96.47	10719	163023
Sep	96.23	96.20	-0.05	96.23	96.20	10352	126741

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.10	92.05	-0.04	92.10	91.94	13631	57626
Mar	92.44	92.39	-0.05	92.44	92.31	3921	31152
Jun	92.57	92.55	-0.02	92.58	92.50	1786	24128
Sep	92.59	92.57	-0.01	92.59	92.55	569	11603

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.15	98.17	+0.02	98.19	98.11	8065	44526
Mar	98.07	98.05	+0.01	98.07	98.02	3599	20704
Jun	97.83	97.81	+0.01	97.83	97.78	903	8070
Sep	97.54	97.53	+0	97.54	97.48	136	2150

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.35	99.35	-0.01	99.35	99.35	100	na
Mar	99.17	99.17	-0.01	99.17	99.17	37	na
Jun	98.98	98.97	-0.02	98.98	98.97	294	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.81	95.80	-0.01	95.81	95.79	756	8937
Mar	95.78	95.76	-0.02	95.78	95.75	158	3624
Jun	95.67	95.65	-0.02	95.67	95.65	142	2934
Sep	95.46	95.44	-0.03	95.46	95.46	114	1695

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.66	16.44	4.857	2.004	4886	5.444	20.74	494.5	408.6	21.17	3.962	2.061	4.387	3.210	352.7	2.552
Denmark	(DKr)	53.59	10	8.809	2.602	1.074	2618	2.917	11.11	265.0	218.9	11.34	2.123	1.105	2.351	1.720	189.0	1.368
France	(FFr)	60.83	11.35	10	2.954	1.219	2972	3.312	12.61	300.8	248.5	12.88	2.410	1.254	2.668	1.952	214.5	1.552
Germany	(DM)	20.59	3.843	3.385	1	0.413	1006	1.121	4.270	101.8	84.13	4.359	0.816	0.424	0.903	0.661	72.62	0.525
Ireland	(I£)	49.91	9.314	8.205	2.424	1	2438	2.717	10.35	246.8	203.9	10.57	1.977	1.029	2.189	1.602	176.0	1.274
Italy	(L)	2.047	0.382	0.336	0.099	0.041	100.	0.111	0.424	10.12	8.363	0.433	0.081	0.042	0.090	0.066	7.219	0.052
Netherlands	(Fl)	18.37	3.428	3.020	0.892	0.368	897.4	1	3.809	90.84	75.05	3.889	0.728	0.379	0.806	0.590	64.79	0.469
Norway	(NKr)	48.22	8.999	7.927	2.342	0.966	2356	2.625	10	238.5	197.0	10.21	1.911	0.994	2.115	1.548	170.1	1.231
Portugal	(Es)	20.22	3.774	3.324	0.982	0.405	987.9	1.101	4.198	100.	82.62	4.281	0.801	0.417	0.887	0.649	71.32	0.516
Spain	(Pta)	24.48	4.568	4.024	1.189	0.490	1196	1.332	5.076	121.0	100.	5.182	0.970	0.505	1.074	0.786	86.33	0.625
Sweden	(SKr)	47.23	8.815	7.765	2.294	0.946	2308	2.572	9.796	233.6	193.0	10	1.871	0.974	2.072	1.516	166.6	1.205
Switzerland	(SFr)	25.24	4.710	4.149	1.226	0.506	1233	1.374	5.234	124.8	103.1	5.343	1	0.520	1.107	0.810	89.02	0.644
UK	(£)	48.51	9.053	7.975	2.356	0.972	2370	2.641	10.06	239.9	198.2	10.27	1.922	1	2.128	1.557	171.1	1.238
Canada	(C$)	22.80	4.254	3.748	1.107	0.457	1114	1.241	4.727	112.7	93.14	4.826	0.903	0.470	1	0.732	80.40	0.582
US	($)	31.16	5.814	5.122	1.513	0.624	1522	1.696	6.461	154.1	127.3	6.596	1.234	0.642	1.367	1	109.9	0.795
Japan	(Y)	28.35	5.291	4.661	1.377	0.568	1385	1.544	5.880	140.2	115.8	6.002	1.123	0.584	1.244	0.910	100.	0.724
Ecu		39.18	7.313	6.442	1.903	0.785	1914	2.133	8.126	193.8	160.1	8.296	1.553	0.808	1.719	1.258	138.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6625	0.6643	+0.0007	0.6647	0.6633	14,558	59,912
Mar	0.6688	0.6687	+0.0005	0.6688	0.6687	21	1,180
Jun	-	0.6736	-	-	-	2,000	2,112

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8131	0.8174	+0.0033	0.8174	0.8145	10,333	38,658
Mar	0.8250	0.8250	+0.0029	0.8250	0.8250	82	1,324
Jun	-	0.8325	+0.0023	0.8300	0.8300	60	55

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9201	0.9213	+0.0008	0.9219	0.9204	18,838	70,051
Mar	0.9338	0.9340	-	0.9340	0.9338	67	1,898
Jun	-	0.9504	-	-	-	2	197

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5540	1.5558	+0.0010	1.5558	1.5520	4,920	37,454
Mar	-	1.5550	-	1.5550	1.5550	1	74
Jun	-	1.5560	-	1.5560	-	4	2

UK INTEREST RATES

LONDON MONEY RATES

Sep 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5⅝	5 13/16 - 5 11/16	5⅞ - 5¾	5⅞ - 5¾	6 - 5⅞	6¼ - 6⅛
Sterling CDs	-	-	5 25/32 - 5 23/32	5 13/16 - 5¾	5 31/32 - 5 29/32	6 3/16 - 6⅛
Treasury Bills	-	-	5 11/16 - 5 21/32	5 21/32 - 5 19/32	-	-
Bank Bills	-	-	5 11/16 - 5 21/32	5 23/32 - 5 21/32	5¾ - 5 11/16	-
Local authority deps.	5⅝ - 5½	5 11/16 - 5 9/16	5 11/16 - 5⅝	5¾ - 5⅝	5¾ - 5⅝	6 3/16 - 5 15/16
Discount Market deps	5⅞ - 5 11/16	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Sep 20, 5.5432pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.01pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996. Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Sep 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.04	-0.02	94.06	94.03	23997	117166
Mar	93.80	93.84	-0.04	93.87	93.83	17450	78231
Jun	93.55	93.51	-0.06	93.55	93.50	10685	78729
Sep	93.19	93.16	-0.07	93.19	93.15	5597	42267
Dec	92.88	92.85	-0.08	92.89	92.83	4296	31082

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9400	0.15	0.16	0.16	0.09	0.28	0.59
9425	0.04	0.07	0.10	0.23	0.44	0.78
9450	0.01	0.03	0.06	0.45	0.65	0.99

Est. vol. total, Calls 2983 Puts 4260. Previous day's open int., Calls 107507 Puts 112066

EMS EUROPEAN CURRENCY UNIT RATES

Sep 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.053	+0.007	-0.89	2.16	6
Portugal	195.792	195.069	-0.04	-0.37	1.63	2
Ireland	0.792214	0.789414	+0.001229	-0.35	1.61	2
Netherlands	2.15214	2.14666	+1e-05	-0.25	1.51	2
Belgium	39.3960	39.4173	+0.0016	0.05	1.20	-0
Germany	1.91007	1.91483	-0.00015	0.25	1.00	-2
Austria	13.4383	13.4727	-0.0009	0.26	0.99	-2
Denmark	7.28580	7.35693	-0.00795	0.98	0.27	-7
France	6.40608	6.48632	-0.00238	1.25	0.00	-11
NON ERM MEMBERS						
Greece	292.867	302.813	-1.188	3.40	-2.07	-
Italy	2106.15	1925.96	+1.6	-8.56	10.73	-
UK	0.786652	0.812789	+0.000464	3.32	-2.00	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
1.540	1.68	2.08	2.38	0.17	0.59	0.89
1.550	0.96	1.46	1.79	0.46	0.97	1.29
1.560	0.47	0.96	1.29	0.96	1.47	1.85
1.570	0.17	0.60	0.90	1.66	2.10	2.39
1.580	0.15	0.33	0.60	2.51	-	3.03

Previous day's vol., Calls 6,887 Puts 5,282 . Prev. day's open int., Calls 135,301 Puts 107,252

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.04	-0.02	94.05	94.04	51,437	479,331
Mar	93.87	93.88	-0.01	93.88	93.88	45,424	348,198
Jun	93.70	93.70	-0.02	93.70	93.68	20,582	259,132

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.81	94.82	-0.01	94.82	94.81	145	4,095
Mar	-	94.44	-	-	94.43	46	1,495
Jun	-	94.26	-	-	-	10	15

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9675	0.08	0.10	0.12	0.15	0.02	0.04	0.06	0.19
9700	0.01	0.02	0.03	0.06	0.20	0.21	0.22	0.35
9725	0	0	0	0.02	0.44	0.44	0.44	0.56

Est. vol. total, Calls 9480 Puts 1758. Previous day's open int., Calls 326199 Puts 242740

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9825	0.11	0.12	0.12	0.21	0.33	0.57
9850	0.05	0.07	0.06	0.40	0.53	0.76

Est. vol. total, Calls 358 Puts 100. Previous day's open int., Calls 3535 Puts 1041

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9200	0.27	0.59	0.77	0.18	0.15	0.20
9225	0.14	0.42	0.60	0.30	0.23	0.28
9250	0.06	0.28	0.45	0.47	0.34	0.38

Est. vol. total, Calls 7427 Puts 6977. Previous day's open int., Calls 64143 Puts 32262

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association

* In administration

COMMODITIES AND AGRICULTURE

Base metals prices hit fresh lows at the LME

MARKETS REPORT

Base metal prices edged above midsession lows yesterday afternoon on the London Metal Exchange, but still closed lower and were likely to fall further, traders said.

They attributed the modest rallies to routine jobber covering and said there was little solid buying from the trade, which was content to hold off, given that sentiment was "conclusively bearish".

"At the moment the rallies will not go too far as people are looking to sell into them," said one.

COPPER was again the bell-wether for the complex, although other metals needed little excuse to move lower. Today's LME stocks data was expected to do little for market sentiment.

Three months delivery copper confirmed Friday's breach of the $1,900-a-tonne support level with an early to $1,864. Final business was at $1,883, down $17.

Traders said copper's short-term downside objective was $1,850 a tonne, if $1,900 could not be regained.

ALUMINIUM's recent weakness was maintained today with the three months price dipping under the $1,400-a-tonne level to hit $1,390 at one stage – a fresh 2¼-year low. Late covering reduced losses, although at $1,392 the "kerb" (after hours session) close was still $20 down from Friday.

Traders thought the market would remain weak, given that consumers were adopting a hand-to-mouth, scale-down buying policy. Also, stocks were on the increase.

The TIN market clawed its way hesitantly off six-month lows, although the psychologically-important $6,000 a tonne level for the three months position, seen briefly yesterday, was expected to be re-challenged soon. The price finished at $6,030 a tonne, $80 below the pre-weekend level.

Fundamentally the market was under pressure from the perception that world stocks will be higher at the end of the year and the likelihood that the current meeting of the Association of Tin Producing Countries in Singapore would do little for sentiment, traders explained.

Three months NICKEL rallied away from a midsession low of $7,200 a tonne, but underlying weakness remained and traders were forecasting further declines, *especially if LME stocks* show the expected rise in today's report. The last trade was at $7,320, down $60.

LEAD's mini-rally arrested a slump to a 10-week low, but this market to seemed destined for further price falls, traders said.

At the London Bullion Market, GOLD and SILVER prices were fairly static after last week's slide, despite market fears of a fresh downside assault, dealers said. PALLADIUM fixed at a fresh three-year low of $116.75 an ounce in the afternoon, down $2.75 from Friday. "It's been panicky long liquidation," a dealer said. "The selling in silver just pushed over a few more of the specs who decided there's not much hope for the precious metals."

The platinum group metals had been undermined by ample supplies over the summer from Russia into a slack market that would probably require some time to absorb the excess metal.

At the London International Financial Futures Exchange robusta COFFEE futures ended a quiet session somewhat softer, with the market unperturbed by reports of a sharp drop in Colombian coffee exports.

Traders said Colombian coffee, if scarce, could be substituted by Central American beans. "The Mexican crop is about ready for export and the market is now awaiting estimates for Brazil's 1997-98 crop," said one trader.

"The Brazilian 1997-98 crop looks like it will be a good one," he added, noting that flowering was beginning to take place.

At the close the benchmark November contract was off $2 at $1,480 but above a session low of $1,475 a tonne.

Compiled from Reuters

Genetics, ethics and agriculture

Modification of plant breeds should reduce the need for chemical applications

FARMER'S VIEWPOINT

By David Richardson

Prince Charles has been a fan of chemical-free organic farming for many years. Now he tells us (in a speech to the Soil Association a few days ago) that he does not approve of genetic modification. Perhaps his advisers have failed to explain to him the potential that may exist through genetic modification to produce plants that will be resistant to the diseases that now attack them, thereby eliminating the need for chemical control.

Furthermore, it must may have escaped his notice that all of the agrochemicals in use today are subjected to rigorous and lengthy testing by a range of bodies whose job it is to ensure their safety. Indeed many of the products in use on farms are less toxic than some of the alternative "natural" substances permitted by the organic movement. Although not an organic farmer myself – I favour an integrated approach in which the use of agrochemicals is kept to a minimum consistent with product quality and with profit – I applaud the fact that British farmers now use fewer sprays than ten years ago. And I fully appreciate that, *following recent food scares*, there is a need for food producers to rebuild confidence among consumers.

But the Prince's apparent wish to live in the past and his virtual rejection of modern science makes him sound to some scientists like a latter day Luddite. They would allege that his opinions failed to take account of the now-inevitable increase in world population to 8bn or more within the next 40 years and the need for those extra mouths to be fed. Moreover, the majority of scientists working on genetic modification believe they hold the key to that daunting task and that the technology they are devising will enable it to be achieved in ways which enhance sustainability.

A few days before Prince Charles made his speech I was in Canada and the US for a preview of some of the first genetically modified crops, which will soon appear in Britain. My host was Hoechst subsidiary AgrEvo – the name is intended to suggest agricultural evolution – which is one of the world's leading companies in the development of genetically modified crop varieties. The company reports annual sales worldwide of $3.6bn of which 11 per cent is spent on R&D by 1,900 of the company's 8,000 employees. Research into biotechnology, leading to genetic modification, accounts for some 30 per cent of total research spending.

The first results of that investment, which began more than 10 years ago, are beginning to emerge. I was taken to fields in Saskatchewan carrying crops of genetically modified canola. In Britain it is known as oilseed rape, but the Canadians decided a crop that produced excellent cooking oil deserved more wholesome sounding name.

The new variety, produced by AgrEvo and called Innovator, looked identical to non-genetically modified crops in neighbouring fields. Indeed, in all but one respect it is identical. For AgrEvo's scientists have inserted a gene into the DNA of the plant that enables it to resist a contact, all-purpose herbicide, also produced by AgrEvo, called Liberty. This means that weeds in fields of Innovator canola can be killed off with Liberty at any time without damage to the crop.

AgrEvo claims the variety and the system, called Liberty Link, will lead to benefits to the environment because Liberty needs to be applied only once, whereas some other treatments may need more, and because residues quickly degrade in the soil. The farmer benefits from cheaper and possibly more efficient weed control and may reap a larger yield. And, of course, AgrEvo will benefit from developing a crop that has to be treated with its own herbicide rather than with *products* from its competitors.

The competitors are international pharmaceutical companies and most of them are developing similar systems for a wide range of crops. Indeed in the US some 2 per cent of the soyabeans grown this year originate from a Monsanto development and are called Roundup Ready, indicating that they have been genetically modified to be resistant to company's herbicide of that name. US consumers are further advanced in their acceptance of such technology than most others around the world. Indeed some Americans seem unable to understand that, like Prince Charles, consumers in other countries *may need more* time to satisfy themselves of the safety and ethics of the technology.

In Britain, most of Europe, Japan and, indeed Canada, where I saw the canola growing, regulation still insists that genetically modified plant material is identified and kept separate. But Roundup Ready soyabeans will not be kept separate as they are harvested this autumn because they are deemed identical to non-genetically modified beans. This means they will also be mixed in consignments exported from the US. Having studied the science I do *not believe* this poses any kind of health problem to UK consumers. But it does create problems of lack of choice and that is regrettable.

Meanwhile the scientists are pressing on. In Illinois AgrEvo showed me Liberty Link maize – also genetically modified for resistance to Liberty. And I was told of progress in achieving similar characteristics in rice and sugar-beet. The first Liberty Link canola, or rape, is expected to be ready for the UK market, regulations permitting, in 1998. Forage maize will follow in 1999 with sugar beet in 2000.

It was, perhaps, commercially inevitable that most of the first genetically modified crops would be chemical-linked. But the technology is capable of producing crops with insect resistance, disease resistance, yield enhancement and desirable quality traits. Furthermore it could go a long way towards meeting the objectives espoused by Prince Charles. But because it is complicated and poorly understood many people fear it. There is an urgent need for a comprehensive information initiative on genetic modification, worded in non-scientific language, to ensure that this vital new technology is not rejected through ignorance.

Tin producers' group 'needs restructuring' after members' defections

The Association of Tin Producing Countries, hit by resignations of two member-nations over the past week, needs to be restructured to make it relevant, a senior official said yesterday, reports Reuters from Singapore.

"A cartel is no longer effective," the official told reporters on the opening day of the ATPC's two-day ministerial conference here. "A restructuring may be necessary and the ATPC could become a study group for consumers and producers which may also compile statistics for the industry."

"Nickel has a study group now and it has worked," the official said.

The ATPC must face the reality that it can no longer control tin prices in the market and must cope with the decisions by Australia and Thailand to leave the organisation, he added. Zaire, which now produces no tin at all, has also stopped attending ATPC meetings.

The membership roll is down to just five countries – Bolivia, China, Indonesia, Malaysia and Nigeria. Brazil remains as an observer, having decided to delay joining the group. It says it would be "useless" to join now.

Other officials said the ATPC would continue to exist despite the departure of Thailand and Australia. "We will stay," a member of the Chinese delegation said. "We are committed to the ATPC," said an Indonesian.

The conference will also focus on the fate of an export quota system that has been violated by many of the ATPC's own members over the years. The so-called supply rationalisation scheme was suspended in May.

Another delegate said that under one proposal the free market system would be allowed to continue for another year and the SRS scheme would be kept in *suspension*. The effectiveness of the free market system would then be reviewed at the next ATPC meeting in September, 1997, he said.

Indonesia has said the scheme should be abandoned as nobody followed it. "It has already died," Mr Kuntoro Mangkusubroto, director general of mining at the Indonesian Mines and Energy Ministry, said last month.

Singapore-based tin traders said the ATPC should drop any attempt to impose export quotas and concentrate on possibly becoming a forum for consumers and producers.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1358.5-57.5	1392-93
Previous	1374.5-5.5	1409.5-10.5
High/low	1369/1358	1410/1387
AM Official	1367.5-68.0	1403.5-4.0
Kerb close		1392-93
Open int.	62,649	
Total daily turnover	212,745	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1193-98	1225-28
Previous	1195-205	1230-35
High/low		1225
AM Official	1197-200	1227-32
Kerb close		1225-30
Open int.	4,944	
Total daily turnover	1,113	

■ LEAD ($ per tonne)

Close	764-65	768.5-69.0
Previous	777.5-8.5	778-80
High/low	770/761	779/764
AM Official	760-61	763-64
Kerb close		774-75
Open int.	37,866	
Total daily turnover	7,491	

■ NICKEL ($ per tonne)

Close	7175-85	7290-95
Previous	7225-35	7340-45
High/low		7340/7200
AM Official	7140-50	7255-60
Kerb close		7315-25
Open int.	41,090	
Total daily turnover	14,205	

■ TIN ($ per tonne)

Close	5965-75	6025-30
Previous	6040-45	6105-10
High/low	5965	6100/6000
AM Official	6000-6005	6051-52
Kerb close		6020-30
Open int.	15,808	
Total daily turnover	5,582	

■ ZINC, special high grade ($ per tonne)

Close	993.5-94.5	1020-21
Previous	1005.5-6.5	1031-2
High/low		1027/1016
AM Official	992-93	1018-18.5
Kerb close		
Open int.	72,884	
Total daily turnover	16,380	

■ COPPER, grade A ($ per tonne)

Close	1886-88	1879-80
Previous	1898-900	1910-11
High/low	1884/1858	1890/1856
AM Official	1857-58	1871-72
Kerb close		1887-88
Open int.	186,122	
Total daily turnover	60,865	

■ LME AM Official £/$ rate: 1.5540
LME Closing £/$ rate: 1.5588

Spot: 1.5582 3 mths: 1.5576 6 mths: 1.5579 9 mths: 1.5581

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	88.25	-0.75	88.90	87.90	694	3,188
Oct	87.85	-0.45	88.10	88.00	235	2,154
Nov	87.55	-0.25	88.00	87.70	24	1,533
Dec	87.65	-0.15	87.95	86.60	7,706	26,006
Jan	87.40	-0.15	87.50	86.75	53	1,184
Feb	87.20	-0.20	-	-	-	833
Total					10,406	57,027

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.30-381.60		
Opening	381.00-381.30		
Morning fix	381.20	245.224	472.231
Afternoon fix	381.00	244.953	470.649
Day's High	381.30-381.60		
Day's Low	380.85-381.15		
Previous close	381.40-381.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.07	6 months	3.85
2 months	4.05	12 months	3.94
3 months	4.02		

Silver Fix	p/troy oz.	US cts equiv.
Spot	313.60	487.50
3 months	317.55	493.50
6 months	321.05	499.00
1 year	328.70	512.45

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	248-250
Maple Leaf	387.55-380.00	
New Sovereign	86-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Sep	381.3	+0.5	383.1	383.1	-	1
Oct	381.6	+0.4	381.8	380.9	3,232	7,245
Nov	382.9	+0.5	424.0	424.0	100	8,447
Dec	384.4	+0.5	384.7	383.8	35,637	103k
Feb	386.8	+0.5	386.9	386.1	2,285	13,387
Apr	389.2	+0.4	389.1	388.9	663	8,648
Total					43,632	192,474

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	388.7	+0.4	389.5	388.0	2,310	11,527
Jan	390.7	+0.5	392.0	390.1	2,093	11,488
Apr	393.3	+0.5	393.5	392.8	841	5,940
Jul	396.3	+0.5	397.2	396.9	68	626
Oct	399.8	+0.5	400.1	400.1	2	24
Total					5,312	28,805

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	117.50	-1.80	-	-	5	34
Dec	119.00	-1.80	120.80	117.75	380	7,752
Mar	120.00	-1.80	120.00	118.50	4	188
Jun	121.05	-1.80	-	-	1	111
Total					389	8,085

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	484.1	+3.2	483.0	482.0	3,071	370
Oct	484.5	+3.2	-	-	-	10
Dec	489.5	+3.2	492.0	486.0	32,225	69,257
Jan	492.2	+3.2	-	-	1	24
Mar	497.1	+3.2	499.0	495.0	1,358	12,030
May	502.1	+3.2	504.0	499.5	72	6,390
Total					34,184	88,536

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	23.20	-0.02	23.35	22.85	39,236	85,082
Dec	22.67	-0.07	22.85	22.44	8,431	60,481
Jan	22.20	-0.01	22.28	21.97	3,850	39,825
Feb	21.64	-0.06	21.86	21.52	1,845	25,386
Mar	21.15	-0.10	21.29	21.10	2,048	18,393
Apr	20.85	-0.05	20.88	20.77	1,629	13,068
Total					98,247	398,823

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	21.94	-0.05	22.21	21.83	10,468	61,993
Dec	21.60	-0.02	21.75	21.42	5,713	37,670
Jan	20.94	-0.09	21.20	20.90	2,135	23,287
Feb	20.43	-0.08	20.68	20.43	657	11,519
Mar	19.90	-0.10	20.06	19.90	637	10,035
Apr	19.47	-	19.47	19.38	1,829	4,630
Total					20,280	169,823

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	67.20	-0.22	67.80	66.50	14,518	27,677
Nov	66.95	-0.05	67.40	66.40	9,250	30,182
Dec	66.55	-0.06	66.90	66.05	5,049	32,322
Jan	65.50	-0.21	66.00	65.10	2,765	21,890
Feb	63.50	-0.36	63.70	63.35	1,243	10,675
Mar	61.15	+0.14	61.55	60.90	326	4,966
Total					33,736	145,072

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	218.25	+4.25	219.00	215.25	8,084	25,698
Nov	208.75	+2.75	210.75	208.25	3,604	14,243
Dec	203.25	+1.25	205.00	202.75	2,035	15,265
Jan	197.50	+0.76	199.25	197.25	652	12,078
Feb	190.60	+0.50	192.50	190.50	345	2,424
Mar	183.25	+0.50	185.50	183.50	176	3,898
Total					15,236	83,836

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.925	-0.040	1.955	1.920	24,860	23,838
Nov	2.130	-0.047	2.170	2.130	8,052	27,125
Dec	2.325	-0.048	2.370	2.320	4,344	19,849
Jan	2.365	-0.045	2.415	2.356	1,899	15,223
Feb	2.300	-0.040	2.335	2.295	958	9,247
Mar	2.190	-0.030	2.220	2.180	731	7,166
Total					41,872	146,973

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	60.00	-1.09	61.20	59.60	12,182	20,233
Nov	59.95	-0.81	60.65	59.40	7,472	17,972
Dec	59.80	-0.65	60.45	59.40	3,180	8,841
Jan	59.60	-0.56	60.00	59.30	1,008	7,052
Feb	60.10	+0.15	60.10	60.10	30	2,145
Mar	60.60	-	60.60	60.60	111	1,379
Total					23,941	60,296

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	105.75	-	107.25	108.50	9	100
Nov	107.40	+0.30	107.75	107.30	135	1,956
Jan	109.20	+0.35	109.75	109.00	49	2,093
Mar	111.10	+0.45	111.50	111.00	166	1,265
May	113.00	+0.35	113.10	113.00	50	837
Jul	114.90	+0.25	-	-	-	135
Total					409	6,386

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	426.50	+5.50	428.50	417.50	8,413	48,845
Mar	418.25	+3.75	421.50	411.50	1,645	13,386
May	402.00	+1.50	405.50	398.00	156	1,135
Jul	385.00	+3.25	387.50	380.00	529	5,234
Sep	386.00	+1.50	385.00	384.50	12	96
Dec	395.00	+6.00	398.00	398.00	18	86
Total					10,745	67,749

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	313.25	-1.00	315.75	311.50	33,379	191,168
Mar	319.75	-1.75	322.25	318.00	9,260	61,226
May	326.25	-1.75	328.00	324.25	3,560	28,024
Jul	328.00	-1.75	330.00	326.00	3,374	18,756
Sep	309.00	-3.00	311.00	308.50	153	2,500
Dec	299.75	-2.00	300.75	298.00	1,785	13,134
Total					61,600	312,997

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	101.50	-	101.50	101.50	4	10
Nov	103.25	+0.25	103.25	103.25	34	948
Jan	104.75	+0.25	104.75	104.75	40	671
Mar	106.25	+0.25	-	-	-	170
May	107.75	+0.25	-	-	-	80
Total					78	1,879

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	798.75	+3.50	799.50	785.50	30,363	120,630
Jan	806.50	+3.00	807.50	793.50	4,039	28,767
Mar	811.50	+2.25	812.00	799.50	1,884	15,680
May	809.75	+3.25	810.00	799.00	866	14,458
Jul	810.75	+2.75	812.00	799.50	922	11,919
Aug	799.00	-	796.00	793.00	15	230
Total					38,984	187,019

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	25.18	-0.07	25.18	25.00	2,931	12,965
Dec	25.57	-0.11	25.58	25.42	5,493	46,822
Jan	25.78	-0.15	25.85	25.66	636	7,779
Mar	26.14	-0.08	26.12	25.98	1,087	9,332
May	26.37	-0.08	26.30	26.18	577	5,970
Jul	26.55	-0.12	26.55	26.30	216	1,579
Total					11,116	86,196

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	260.8	+1.8	261.0	256.5	6,664	20,839
Dec	257.8	+1.7	258.0	252.6	8,653	43,644
Jan	257.0	+1.5	257.5	252.5	1,436	8,118
Mar	254.5	+1.0	255.3	250.4	2,805	10,813
May	250.6	+0.4	251.2	247.5	458	5,429
Jul	250.6	+0.6	251.0	247.8	84	2,893
Total					20,286	94,165

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	37.0	+0.5	-	-	-	-
Mar	76.5	+0.5	-	-	-	-
Apr	71.0	+0.5	71.5	70.0	41	1,299
May	79.5	+0.5	-	-	-	17
Jun	88.0	+0.5	-	-	-	-
Total					41	1,316

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	998	-5	1000	998	45	805
Oct	1111	-19	1130	1111	237	1,527
Nov	1188	-19	1202	1188	128	341
Jan	1225	-6	1225	1223	38	997
Apr	1238	-5	1236	1234	20	298
Jul	1095	-5	-	-	10	37
Total					468	4,074

	Close	Prev
BFI	997	1001

FUTURES DATA
All futures data supplied by CMS.

Tea
There was good but less demand this week reports the Tea Broker's Association. Landed top quality Assams met keen competition and frequently appreciated. Others came to an easier market and prices were 3-8p/kg, lower with some withdrawals. Bright liquoring Kenyas met less enquiry and prices declined whereas coloury mediums showed a dearer tendency. Brightest Burundis were strong and often advanced while others sold well at last levels. *Offshore good demand at dearer* rates. Quotations: landed best available 200-250p/kg, good: 135p/kg, good medium: 118p/kg, medium 109p/kg, low medium: not quoted, the highest price realised this week was 250p/kg, for a burindi.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	963	+4	968	968	10	303
Dec	989	+6	993	984	1,120	35,105
Mar	1010	+5	1013	1006	4,075	40,336
May	1024	+6	1020	1020	50	21,328
Jul	1039	+6	1041	1036	75	11,268
Sep	1053	+6	-	-	-	3,798
Total					6,149	134,989

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1359	-8	1375	1355	2,891	31,353
Mar	1394	-6	1406	1393	557	17,367
May	1414	-6	1423	1419	23	8,116
Jul	1425	-6	1442	1437	17	6,025
Sep	1442	-6	1460	1455	16	5,510
Dec	1471	-6	-	-	-	676
Total					3,584	77,332

■ COCOA (ICCO) (SDR's/tonne)

Sep 20	Price	Prev. day
Daily	1020.90	1016.77

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1572	-8	1580	1565	225	1,276
Nov	1480	-2	1480	1475	2,619	14,756
Jan	1418	-7	1430	1417	904	6,239
Mar	1380	-12	1395	1380	336	3,439
May	1365	-10	1377	1365	118	1,178
Jul	1358	-9	1375	1369	10	221
Total					4,222	27,128

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	104.55	+0.65	104.70	102.75	4,244	13,878
Mar	101.45	+0.90	101.60	99.85	782	5,044
May	101.50	+0.60	101.50	100.25	124	2,054
Jul	101.00	+0.35	101.00	100.50	13	722
Sep	101.00	+0.35	101.00	101.00	13	213
Dec	101.50	+0.25	101.50	101.00	98	274
Total					5,178	21,985

■ COFFEE (ICO) (US cents/pound)

Sep 20		Prev. day
Comp. daily	93.63	93.88
15 day average	97.80	98.47

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	330.3	+1.6	330.2	328.0	397	10,028
Mar	330.1	+1.3	330.0	328.5	355	8,200
May	330.0	+1.9	328.9	327.9	111	3,817
Aug	330.9	+1.0	329.9	329.7	17	1,245
Oct	323.6	+1.0	322.8	322.2	13	670
Dec	324.7	+0.4	325.1	325.0	20	249
Total					893	24,889

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.30	+0.11	11.33	11.19	15,365	26,047
Mar	11.27	+0.06	11.28	11.17	13,100	67,530
May	11.24	+0.06	11.25	11.15	2,264	21,489
Jul	11.03	+0.12	11.05	10.94	736	14,112
Oct	10.90	+0.08	10.90	10.83	869	9,934
Mar	10.83	+0.06	10.77	10.74	246	1,940
Total					32,580	141,276

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.62	+0.59	74.80	74.20	709	2,858
Dec	76.10	+0.71	76.20	75.52	4,405	28,206
Mar	77.15	+0.71	77.25	76.75	807	8,958
May	78.05	+0.67	78.15	77.50	105	6,655
Jul	78.60	+0.95	78.70	78.60	186	4,761
Oct	78.55	+0.55	77.90	77.90	-	982
Total					6,059	56,167

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	104.85	-1.60	108.50	104.60	129	8,626
Jan	105.00	-1.20	106.50	104.50	11	5,941
Mar	107.00	-1.20	108.40	106.85	35	2,685
May	108.95	-1.00	110.40	109.00	20	626
Jul	110.80	-1.15	111.50	110.25	1	205
Sep	112.10	-1.05	-	-	-	234
Total					302	18,434

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 23	Sep 20	month ago	year ago
1898.7	1902.6	-	2117.4

■ CRB Futures (Base: 1967=100)

Sep 20	Sep 19	month ago	year ago
244.42	245.14	-	-

■ GSCI Spot (Base: 1970=100)

Sep 20	Sep 19	month ago	year ago
201.25	201.95	200.76	182.51

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	71.600	-0.35	72.000	71.100	6,190	29,086
Dec	66.850	-0.3	67.000	66.400	4,997	32,400
Feb	64.450	+0.125	64.625	64.000	2,095	15,904
Apr	66.075	+0.025	66.125	65.750	759	7,464
Jun	64.000	-0.1	64.100	63.775	282	3,556
Aug	64.050	-0.15	64.200	64.025	164	3,935
Total					14,492	92,581

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	57.175	-0.125	57.350	56.825	4,676	8,922
Dec	56.725	-0.375	57.250	56.650	5,453	15,654
Feb	76.675	-0.45	77.050	76.500	868	4,901
Apr	73.550	-0.6	74.050	73.400	275	1,797
Jun	78.250	-0.025	78.250	77.600	73	1,982
Jul	75.800	-0.05	75.600	75.300	11	443
Total					11,424	
[illegible]						34,059

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	76.650	-1.725	78.000	76.550	1,965	4,754
Mar	76.775	-1.65	78.000	76.750	224	839
May	78.900	-0.7	79.200	78.100	42	342
Jul	79.200	-0.775	78.750	78.550	26	125
Aug	77.950	-	-	77.500	3	23
Total					2,236	6,083

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1350	53	99	19	31
1400	28	70	42	51
1450	11	47	77	77
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1800	118	99	19	31
1900	63	70	42	51
2000	29	47	77	77
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1400	98	102	16	77
1450	64	79	32	104
1500	39	61	57	136
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	44	36	36	39
1000	33	29	50	50
1025	24	23	68	65
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
2150	-	110	52	-
2200	70	96	74	-
2250	50	79	106	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.02-0.07	+0.310
Brent Blend (dated)	$22.06-2.08	+0.295
Brent Blend (Nov)	$22.06-2.08	+0.285
W.T.I.	$23.14-3.16	+0.210

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$209-211	
Gas Oil	$223-225	+4
Heavy Fuel Oil	$113-115	
Naphtha	$214-216	+2
Jet fuel	$254-255	+6.5
Diesel	$234-236	+3

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	13.20-3.30	-0.20

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

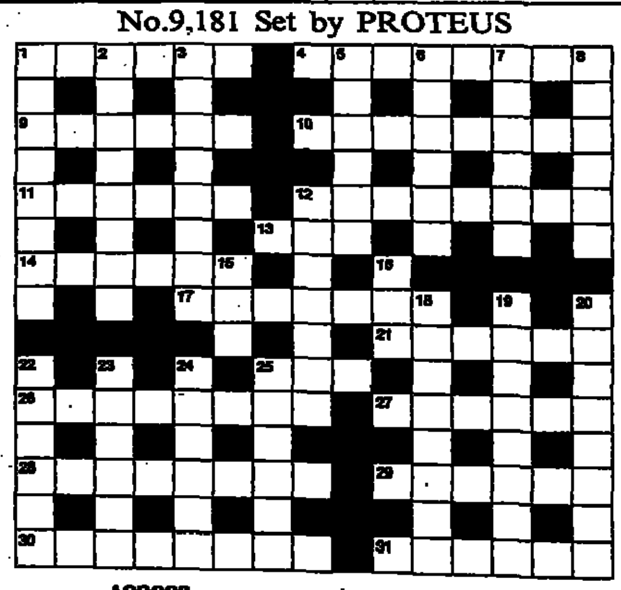
Gold (per troy oz)♣	$381.45	-0.15
Silver (per troy oz)♣	488.50c	+2.00
Platinum (per troy oz.)	$386.50	-0.75
Palladium (per troy oz.)	$116.75	-2.75
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.87r	+0.07
Tin (New York)	282.50	
Cattle (live weight)	98.85p	+0.63*
Sheep (live weight)	115.48p	-2.33*
Pigs (live weight)†	108.09p	-0.33*
Lon. day sugar (raw)	$281.70	-4.8
Lon. day sugar (wte)	$335.00	+0.4
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.25p	
Rubber (Nov)♥	88.25p	
Rubber (KL RSS No1)	323.5v	-2.5
Coconut Oil (Phil)§	$740.0z	+2.5
Palm Oil (Malay.)§	$532.5x	
Copra (Phil)§	$470.0z	
Soyabeans (US)	228.0	-1.0
Cotton Outlook'A' Index	75.00	
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Oct. z Sep/Oct ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,314 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,181 Set by PROTEUS



ACROSS
1 Frolic landing doctor in prison (6)
4 Child not unlawful it is understood (8)
9 Confused when a theologian was in the van (6)
10 Drooping to the pavement (8)
11 Straightforward point (6)
12 Cut short agreement (8)
13 Subdue spirit of animal (3)
14 Painter with peculiar traits (6)
17 Not frightfully certain of hair-style (7)
21 Revolutionary 14? (6)
25 Vestment of transcendental beauty (3)
26 Friend with ideas about perimeter defence (8)
27 Telling-off for a sailor (6)
28 Watch kept by traveller on consumer (8)
29 Oppressor-king in natty attire (6)
30 Short story one acted out (8)
31 Hardship proving strain (6)

DOWN
1 Person having charge over paper (8)
2 Regulate fashion-estimate (8)
3 Gloomy position of producer? (8)
5 Plant everyone's out to cut (6)
6 General holding gun at deputy (6)
7 Most interesting part about capital cross (6)
8 What parsimonious skinhead wears? (6)
12 Comfort found at the organ (7)
15 First to take up drug (3)
16 Skill needed to get one right (3)
18 Cute play about a tree (8)
19 Give hint to close friend (8)
20 Vessels flaunting feast-rig (8)
22 Greek city-state found some in South Africa (6)
23 Point to mistake in pass (6)
24 Man for example in sea-girt spot (6)
25 Coming into season (6)

Solution to Saturday's prize puzzle on Saturday October 5.
Solution to yesterday's prize puzzle on Monday October 7.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone: Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

	Selling Price	+or-	Yield Gr's
A$ Accum	A$19.053	+0.003	5.90
C$ Accum	C$18.636	+0.01	2.00
Yen Accum	Y2890.2	—	0.10

Prices for dealing September 23

Jupiter Tyndall (Bermuda) Ltd

	Selling Price	Buying Price	+or-	Yield Gr's
Eurobond	$15.59	16.48	-0.05	3.43
UK Small Cos	£1.37	1.44	—	0.00

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722083

	Selling Price	Buying Price	+or-	Yield Gr's
Island Global Fd	1884.5	1998.8	+0.3	0.65
Island Gold	4509.8	4777.2	-19	0.08
Island UK Fd	1639.6	1702	-4.3	3.43
(Accum Units)	2504	2654.2	-10.4	3.43

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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Worldinvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	$257.72	259.02	—	5.61
Excelle Global Emg Mkts	$10.00	10.06	—	-
Excelle Global Eqty $ *	$79.24	79.65	—	-
Excelle Stg Global Fixed Inc*	£11.65	11.92	—	4.86

Valued weekly * Mondays, † Wednesdays

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 424946320

	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity	$48.71	49.44	—	-
North America Equity	$77.14	77.53	—	-
Asian Tigers Equity	$60.80	61.41	—	-
Europe Equity	$70.08	70.43	—	-
Germany Equity	[illegible]	131.81	—	-
Japan Equity	$48.43	48.92	—	-
Europe Bond	$59.97	60.12	—	-
US Bond	$57.82	57.76	—	-
Global Bond	$59.75	59.90	—	-
Germany Bond B	[illegible]	107.87	—	-
Spain Bond	[illegible]	8743	—	-
Eastern Europe Equity F	[illegible]	186.75	—	-
China Equity F	$54.31	54.59	—	-
Switzerland Equity	[illegible]	120.42	—	-

Fidelity Funds - Contd.

	Selling Price	+ or -	Yield Gr's
Country Select Funds			
ASEAN	$21.32	-0.04	-
Asian Special Situations	$10.66	—	-
Australia	A$15.81	-0.01	1.35
Emerging Markets	$8.518	+0.012	-
European Sm Cos F	DM13.13	+0.01	-
France	FFr83.42	-0.20	-
Germany	DM20.86	+0.13	-
Hong Kong	$46.33	-0.02	0.82
Iberia	Pta1789	+1	-
Indonesia	$10.16	+0.04	-
Italy	L14275	+19	-
Japan Smlr Cos	Y1090	-7	-
Korea F	$8.980	-0.149	-
Latin America	$8.627	+0.026	0.53
Malaysia	$34.30	+0.14	-
Nordic	SKr173.8	+0.2	-
Singapore	$26.35	-0.22	-
Switzerland	SFr14.88	—	-
Thailand	$21.38	-0.18	-
United Kingdom	£1.136	-0.005	-
Bond Funds			
European	Ecu10.98	—	5.01
International	$1.037	—	8.24
US Dollar	$5.506	+0.001	6.74
Sterling	£0.251	—	7.12
Yen	Y1044	+1	2.62
Balanced			
European Balanced	DM12.09	+0.04	-1.92

Prices as at September 20

Fleming Group (u)

6 Route De Treves L-2633 Senningerberg Luxembourg

00 352 34101 or 0800 960 284

Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

	Selling Price	+ or -	Yield
Global Cap Portfolio	$3.716	+0.005	-
United States Portfolio	$5.199	+0.002	-
Cont'l Europe Portfolio	DM6.250	+0.025	-
Japan Portfolio	Y8.671	—	-
Pacific Portfolio	$8.507	+0.019	-
Gold Portfolio	$0.293	-0.002	-
UK Growth of Income	£2.076	-0.003	3.61
Dollar Portfolio	$1.8672	+0.002	7.05
Sterling Portfolio	£1.0806	—	6.30

American Phoenix Investment Portfolios (u)

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£23½xd	—	£34½	£22½	1,387	3.3	Φ
Barlow	§†	59½	-½	£10¾	55⅞	1,258	2.1	-
Gold Flds Prop R		137½	—	170	120	34.0	6.2	10.7
MK Props		60	—	86	60	2.61	15.2	-
SASOL	♦	645	—	710	475	3,777	1.7	-
SA Brews		£15½	—	£20¼	£15¼	4,859	2.2	Φ
Standard Bank		£26⅝	-⅛	£32⅞	£21⅛	3,172	1.4	22.7
Tiger Oats	†	780	—	1270	770	1,188	2.1	16.2
Tongaat-Hulett		790xd	—	1247	736	747.8	2.3	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♦ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
Φ yield, p/e ratio based on latest annual earnings.
e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after [illegible] yield, p/e based on latest annual earnings.
H Yield based on prospectus or other official estimates for 1995-96.
If Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

US interest rate gloom upsets share prices

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A black cloud descended over London's equity market yesterday, with marketmakers and investors running for cover and increasingly nervous over the prospects for interest rates in the UK and the US.

The FT-SE 100 index, which came within six points of penetrating the 4,000 level only last Friday, came under sustained downside pressure, with early losses made much worse as Wall Street opened with heavy losses.

The pessimism was not confined to stock prices; the market was awash with talk of imminent sizeable job cuts across the big marketmaking firms.

One big securities house parted company with a number of traders last week and one big inter-dealer broker was said to have "downsized" a number of dealers yesterday. And one of the biggest marketmakers was said to be about to reduce its dealing team by at least 20.

A number of the leading securities houses have long been rumoured to have suffered big setbacks on their trading books during the recent turbulence in the UK stock market.

"It's very difficult to see London making any progress until the interest rate news from London and the States is out," said the head trader at one of the European securities houses.

The general consensus around the City's dealing rooms was that a rate rise in the UK would come as a shock and deal a big blow to London. But a rise in US interest rates has been expected for some time and expectations of a 25 basis points increase - or even 50 basis points - intensified towards the end of last week, especially after a leading news agency claimed that eight of the 12 regional Fed authorities were seeking a rise in rates.

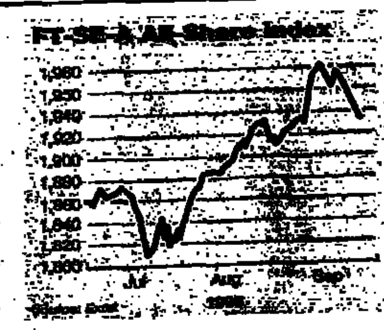
There was little support for equities from the gilts market, which remained weak all day, disturbed by the uncertainty over interest rates. Any shift in UK interest rates should be made known this morning.

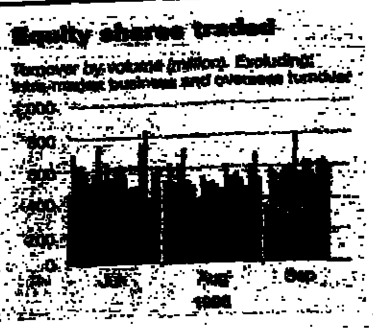
At the close of trading, Footsie had recorded a 44.4 loss at 3,919.7. Selling pressure was not confined to the leaders; the FT-SE Mid 250 index dropped 33.6 to 4,394.6.

Dealers said they expected London to continued to lose ground today, with the FT-SE 100 possibly sliding beneath the 3,900 level. But the general view was that there would be considerable support for UK stocks around the 3,900 mark. "Those institutions that missed out on the run-up to almost 4,000 will probably take advantage of the setback," said one sales trader.

Some market observers take the view that a rise in US rates will clear the air and lend support to Wall Street, "but that won't be the case in London if UK rates move up," said one strategist.

Turnover in equities proved exceptionally disappointing, reaching a miserable 545.2m shares by the 6pm count. Customer activity last Friday, boosted substantially by expiries in the FT-SE 100 and Mid 250 futures and index options, was a hefty £2.29bn, the heaviest for some weeks.





Indices and ratios

FT-SE 100	3919.7	–44.4
FT-SE Mid 250	4394.6	–33.6
FT-SE-A 350	1956.8	–20.6
FT-SE-A All-Share	1934.02	–19.42
FT-SE-A All-Share yield	3.80	3.77
FT Ordinary Index	2807.0	–33.9
FT-SE-A Non Fins p/e	17.04	18.77
FT-SE100 Fut Sep	3943.0	–35.0
10 yr Gilt yield	7.81	7.77
Long gilt/equity yld ratio	2.14	2.15

Best performing sectors

1 Oil Exploration .... –0.0
2 Other Financial .... –0.2
3 Retailers: Food .... –0.2
4 Building & Construction .... –0.4
5 Health Care .... –0.4

Worst performing sectors

1 Diversified Industrials .... –2.6
2 Oil: Integrated .... –1.9
3 Mineral Extraction .... –1.8
4 Extractive Industries .... –1.7
5 Transport .... –1.6

Stores at turning point

By Peter John, Joel Kibazo and Lisa Wood

There was significant profit-taking in the retail sector, with some market observers suggesting the stores stocks, strong performers recently, had reached a potential turning point.

Great Universal Stores, fell 14½ to 623p. Kingfisher 7½ to 648½p and Next 15 to 553p. Marks & Spencer lost 7½ to 501p. Analysts attributed this to a note by UK equity strategists at BZW which suggested a tighter monetary policy stance over the next year. BZW, which is understood to have been saying for some weeks that investors should shift from consumer stocks into manufacturing, said in the note: "The sight of general retail stocks falling, as the strongest non-food retail sales figures for eight years were announced, was significant price action."

It said consumer-sensitive stocks peak out well before consumer spending itself. "Unsustainable conditions hasten a de-rating," it said.

Some analysts had different opinions, with one stating that more profit upgrades should come through, which should offset de-rating talk.

Lloyds Abbey Life and Lloyds TSB experienced a certain amount of after-the-party clearing-up yesterday, following Friday's decision by the former to take up the 38 per cent it did not own in the latter.

The full merger is expected to be earnings-enhancing very quickly and at least two brokers, Lehman Brothers and NatWest Securities, took the opportunity to wax lyrical about the bank's prospects.

However, the cheapest way into the merged stock was through Lloyds Abbey, which is not only underwritten by a 300p cash payment as well as Lloyds TSB paper, but was yesterday estimated to be trading at a 10p discount to Lloyds TSB shares. Consequently Lloyds Abbey moved forward 3 to 623½p while the bank stock slipped with the broad market to close 6¼ off at 372p.

Berisford tumbled 40½ to 106p after a profits warning. The company blamed disruption caused by a strike at the Magnet kitchen factory.

Around 300 of the 375 members of its workforce at the factory were dismissed this month for breach of contract. The company is in the process of hiring a new workforce with Berisford confident that it will be in place by the end of the calendar year.

Berisford also said that since late summer there has been a marked downturn in demand in several of the US markets served by its Welbilt operation. There had also been business disruption and additional charges because of difficulties arising from the introduction of a new computer system.

A buy recommendation from Salomon Brothers on composite insurance stocks was not enough to lift a sector highly geared to broad stock market movements.

Salomon said the latest evidence on the UK underwriting cycle supported its positive outlook on UK non-life insurance shares and current share prices more than fully discounted the likely decline in earnings.

Salomon sees Royal & Sun Alliance as its core recommendation, with a raised target price of 500p. It also recommends General Accident, with a target of 720p, plus Commercial Union and Guardian Royal Exchange.

However, all the stocks invest heavily in Footsie stocks, which fell steeply, as well as UK bonds which were also weak.

Royal Sun held firm at 397p but General Accident slipped 3 to 677p, CU 4½ to 595½p, and GRE 2½ to 252½p.

Safeway advanced 2 to 324½p, with one analyst speculating that there could be hopes of another share buy-back.

Bass fell 15 to 778½p after media reports on possible areas that the Monopolies and Mergers Commission may force it to make disposals if the latter is to clear the purchase of the majority of Carlsberg-Tetley.

PizzaExpress climbed 26 to 472½p on speculation that Whitbread may have the chain in its sights. Reports that the group may be buying in some of its franchises enhanced the talk.

Whitbread, which fell 5 to 691½p, recently paid £133m for Pelican, the Cafe Rouge and Dome chain. One analyst said that PizzaExpress would be a logical extension of its restaurant strategy.

Tom Cobleigh, the independent, Yorkshire-based pubs group, added 1½ to 234½p as speculation mounted that Rank Organisation may announce an agreed offer for the company, which last week was believed to have struck a deal with Yates Brothers Wine Lodges. Rank softened 11½ to 439p.

A two-way pull in engineering group FKI brought turnover of 3.8m, as the shares eased 1½ to 198½p.

Earlier this month, the group bought BTR's Hawker Siddeley power business for £182.5m.

However, nearly two weeks after the deal was announced, the market continues to have contrasting views about its likely impact on FKI.

Bulls of the stock suggest the deal will enhance earnings per share within the next few years. However, several analysts have suggested FKI acquired a low margin business and have been advising clients to reduce holdings in the stock.

Strong demand for Railtrack continued yesterday, leaving the stock the best performer in the FT-SE 100 after it gained 6 to 294p. Sentiment was boosted by reports of an upbeat presentation at UBS. Volume at the close was 5.6m.

There was profit-taking in Unilever, which fell 7¼ to 1385p, after a couple of analysts moved from "buy" to "hold" on the stock. Analysts are thought to be looking for directional hints from the company.

Carlton Communications was firm at 472½p on speculation that HTV is considering a tie-up with CanWest to block Carlton's long-rumoured bid for HTV.

SmithKline Beecham was marginally firmer initially on news that it has won European Union approval to sell its Twinrix combined vaccine for hepatitis A and B viruses in all EU countries.

However, analysts said the sales benefit was difficult to quantify as both vaccines were already available independently. And with global markets falling, the pressure on the internationally-traded stock was too great. SmithKline fell 13½ to 749p.

BAT, the tobacco and financial services group, eased following a downgrade by Kleinwort Benson which cut its recommendation on the stock to "underweight" from "hold". The shares ended 6 lower at 456½p.

FINANCIAL TIMES EQUITY INDICES

	Sep 23	Sep 20	Sep 19	Sep 18	Sep 17	Yr ago	*High	*Low
Ordinary Share	2807.0	2840.9	2846.5	2836.4	2852.7	2601.0	2885.2	2666.8
Ord. div. yield	4.05	4.00	3.99	4.01	3.99	4.12	4.22	3.76
P/E ratio net	17.04	17.25	17.28	17.20	17.29	15.62	17.29	15.80
P/E ratio nil	16.88	17.09	17.12	17.04	17.12	15.44	17.13	15.71

Ordinary Share Index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2831.9	2827.4	2822.3	2818.0	2811.2	2810.7	2811.6	2810.6	2804.1	2833.0	2802.5

	Sep 23	Sep 20	Sep 19	Sep 18	Sep 17	Yr ago
SEAQ bargains	39,874	40,383	39,716	36,915	41,734	27,605
Equity turnover (£m)†	-	2285.5	1706.7	1710.8	1843.9	1607.6
Equity bargains†	-	41,217	39,732	38,950	39,287	32,233
Shares traded (mil)†	-	880.4	588.6	643.8	607.0	572.9

†Excluding intra-market business and overseas turnover.

	Sep 23	Sep 20	Sep 19	Sep 18	Sep 17	Yr ago	*High	*Low
FT-SE AIM	1039.50	1047.90	1041.80	1041.70	1043.10	-	1140.40	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	309	Total Highs	71	Total contracts	36,393
Total Falls	1,021	Total Lows	71	Calls	8,491
Same	1,309			Puts	27,902

Sep 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3981.0	3943.0	-53.0	3985.0	3937.0	9382	56661
Mar		3953.0	-53.0			0	380

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4420.0	-40.0			0	3551

FT-SE 100 INDEX OPTION (LIFFE) (*3916) £10 per full index point

	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P
Oct	179½	8½	133	13	91½	22	58½	37	30½	62	12½	95	4½	139	1½	189
Nov	197½	18½	158	27	118	38½	85	55	57½	78½	35	108	19	144½	10	189
Dec	227½	33½	188½	44	151	57½	118	75½	86	97	61	123½	41½	158½	28½	194
Jan	239½	47	201	58	167	74	134½	91½	105½	113	81	138½	59½	169	42½	204
Jun†			269½	120½			289	158½			169½	207			117½	284

Calls 2,885 Puts 6,778

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P
Oct	198	6	153	9½	118½	15½	72	28	41½	47½	20	76	7½	113	2	157
Nov	218½	15	176	21½	138	31	99½	44	68½	63½	44½	88	26	119	13½	158½
Dec	245	30	204½	39	166	50	131	64	99½	82	72½	104	59	131	32½	183
Mar	286½	65½			215½	91½			154½	127½			104	174		
Jun†	325½	101			280	131			281	167½			186	212½		

Calls 2,522 Puts 15,254 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/08	100		-	-	-	-
-	F.P.	12.1	68	62½	†Sarbican Hlthcre	62½		-	-	-	-
-	F.P.	30.4	90½	82½	Cruden Bay	87½		-	-	-	-
-	F.P.	204.0	196	182½	Dairy Crest Grp	184½		W8.1	2.7	6.2	7.6
-	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	26.5
§145	F.P.	50.7	246	148	†Elec Retail Sys	241		-	-	-	-
§	F.P.	2.39	53	41	†Feyrewood	45½xd		Z0.4	-	1.1	-
*	F.P.	208.8	£42½	£25⅝	GT Chile Growth	£25⅞	-⅛	-	-	-	-
§12.5	F.P.	1.66	14¼	13¾	†Grosvenor Land	14¼		-	-	-	-
§65	F.P.	18.2	66½	64½	Hambros Sm Asn C	65		-	-	-	-
§100	F.P.	24.4	100	94	Hoare Gvt 1000 C	97½		-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	0.38	8	3	Pembertone Wts	6		-	-	-	-
§65	F.P.	12.1	70½	69½	†Polydoc	70½		-	-	-	-
*	F.P.	218.4	£44	£27¼	Regent Kingpin	£27⅞	-⅛	-	-	-	-
*	F.P.	2.17	£5½	£3⅜	Regent K'pin Wts	£3⅜		-	-	-	-
§100	F.P.	81.5	96	90¼	Schroder Em Ctrs	93½	-½	-	-	-	-
§	F.P.	6.80	40	31	Schroder Em Wts	39		-	-	-	-
§68	F.P.	13.3	70	66	†Selector	66		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Sep 20	% chg on day	Sep 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	1925.06	-1.0	1944.42	1987.69	1.82	-	2820.73	1722.88
Regional indices								
Africa (13)	2571.56	-1.6	2612.91	2750.23	3.12	38.15	3553.86	2272.74
Australasia (6)	2060.23	-1.1	2083.50	2466.37	2.70	20.10	2827.34	2060.23
North America (11)	1726.24	-0.7	1738.60	1700.50	0.76	63.78	2185.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Sep 23	Day's chge%	Sep 20	Sep 19	Sep 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3919.7	–1.1	3964.1	3974.3	3955.7	3507.0	3.97	2.05	15.39	145.28	1628.18
FT-SE Mid 250	4394.6	–0.8	4428.2	4427.5	4433.6	3916.5	3.44	1.54	23.55	143.36	1785.60
FT-SE Mid 250 ex Inv Trusts	4429.0	–0.8	4462.6	4461.1	4467.1	3934.6	3.53	1.57	22.53	150.89	1808.33
FT-SE-A 350	1956.8	–1.0	1977.4	1981.3	1974.6	1749.5	3.86	1.95	16.62	70.69	1660.07
FT-SE-A 350 Higher Yield	1872.4	–1.1	1893.8	1896.0	1886.7	1729.4	5.12	1.84	13.29	91.86	1338.43
FT-SE-A 350 Lower Yield	2048.2	–1.0	2068.3	2074.9	2069.7	1775.0	2.71	2.14	21.54	50.06	1429.98
FT-SE SmallCap	2180.02	–0.4	2188.47	2188.50	2186.89	1974.74	3.10	1.80	25.19	53.50	1806.89
FT-SE SmallCap ex Inv Trusts	2177.25	–0.4	2185.08	2185.22	2183.39	1957.66	3.31	1.67	22.61	56.46	1816.96
FT-SE-A ALL-SHARE	1934.02	–1.0	1953.44	1957.02	1950.79	1730.61	3.80	1.93	17.07	68.15	1665.59

FT-SE Actuaries All-Share

	Sep 23	Day's chge%	Sep 20	Sep 19	Sep 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3702.29	–1.8	3768.30	3759.61	3750.48	2952.01	3.78	1.63	20.47	125.00	1615.07
12 Extractive Industries(6)	4091.86	–1.7	4162.72	4138.64	4095.38	4191.73	3.97	2.66	11.84	161.60	1219.46
15 Oil, Integrated(3)	3817.91	–1.9	3893.45	3884.80	3879.33	2924.70	3.92	1.45	22.04	133.46	1710.23
16 Oil Exploration & Prod(15)	2725.55	----	2726.68	2733.27	2734.60	2003.78	1.95	1.67	38.54	37.20	1842.89
20 GEN INDUSTRIALS(276)	2081.61	–1.1	2104.17	2104.66	2102.85	1995.97	4.02	1.78	17.69	68.51	1156.23
21 Building & Construction(35)	1195.65	–0.4	1200.06	1196.74	1197.33	915.79	3.44	1.61	22.52	29.15	1010.20
22 Building Matls & Merchs(29)	1955.01	–0.8	1970.54	1963.90	1978.05	1736.05	3.94	1.67	19.05	56.23	999.14
23 Chemicals(25)	2494.51	–0.6	2510.29	2510.95	2511.55	2448.48	4.06	1.52	20.20	80.07	1199.54
24 Diversified Industrials(18)	1567.52	–2.6	1610.04	1613.62	1609.27	1813.31	5.87	1.62	13.15	86.90	902.23
25 Electronic & Elect Equip(37)	2410.48	–0.5	2423.39	2426.54	2417.89	2162.77	3.26	1.48	26.25	59.62	1268.79
26 Engineering(71)	2581.22	–0.7	2600.61	2604.99	2597.53	2192.07	3.15	2.44	16.24	62.51	1585.13
27 Engineering, Vehicles(14)	3142.86	–1.2	3180.56	3153.21	3143.73	2829.58	3.43	1.71	21.32	96.46	1655.50
28 Paper, Pckg & Printing(28)	2639.50	–0.6	2656.66	2666.34	2661.37	2949.16	3.93	1.82	17.44	83.35	1116.75
29 Textiles & Apparel(19)	1208.53	–0.8	1217.73	1223.31	1227.46	1630.25	5.88	1.19	17.82	47.35	749.12
30 CONSUMER GOODS(82)	3695.48	–0.8	3725.13	3738.13	3712.99	3335.98	3.83	1.94	16.87	122.97	1398.56
32 Alcoholic Beverages(6)	2783.06	–1.0	2812.44	2826.50	2835.90	2910.99	4.53	1.62	17.03	91.68	1017.59
33 Food Producers(25)	2594.48	–0.6	2610.43	2604.94	2596.21	2482.13	4.05	1.86	16.54	82.49	1188.90
34 Household Goods(15)	2677.07	–0.6	2692.06	2707.21	2692.10	2588.87	3.80	2.25	14.62	63.32	1029.99
36 Health Care(20)	2043.36	–0.4	2052.41	2063.51	2057.94	1968.83	2.70	1.96	23.66	38.89	1250.65
37 Pharmaceuticals(13)	5589.32	–0.7	5630.84	5655.65	5598.71	4335.30	3.02	2.06	20.06	162.98	1928.20
38 Tobacco(1)	3866.96	–1.3	3917.78	3943.20	3896.61	4438.74	6.78	2.06	8.97	262.07	995.81
40 SERVICES(256)	2567.26	–1.0	2593.63	2596.93	2584.13	2179.23	2.89	1.97	22.00	67.66	1352.28
41 Distributors(31)	2863.70	–1.4	2905.73	2915.96	2925.91	2739.77	3.00	1.99	20.90	63.15	1066.12
42 Leisure & Hotels(25)	3205.78	–1.0	3237.72	3235.64	3220.37	2504.74	2.72	2.03	22.62	171.72	1742.58
43 Media(45)	4342.66	–0.9	4383.22	4395.41	4398.05	3383.18	2.10	2.05	29.10	65.96	1587.35
44 Retailers, Food(15)	1923.07	–0.2	1926.66	1941.50	1923.94	2137.97	4.08	2.37	12.96	63.24	1243.24
45 Retailers, General(45)	2138.38	–1.3	2165.29	2163.10	2153.51	1793.73	3.00	2.08	20.05	62.88	1235.79
47 Breweries, Pubs & Rest.(23)	3091.24	–0.9	3119.94	3108.03	3091.92	2600.48	3.30	1.98	19.13	67.77	1496.68
48 Support Services(49)	2566.16	–0.5	2579.56	2593.04	2564.97	1842.12	1.92	2.29	28.45	38.48	1641.93
49 Transport(22)	2495.96	–1.6	2537.56	2534.56	2499.17	2180.95	3.80	1.09	30.19	79.36	1069.31
60 UTILITIES(33)	2305.74	–0.6	2319.80	2331.71	2330.36	2539.56	5.48	1.80	12.67	158.45	1026.64
62 Electricity(12)	2357.53	–0.7	2374.75	2380.31	2376.77	2742.01	6.46	2.40	8.06	429.17	1276.59
64 Gas Distribution(2)	1347.30	–0.7	1356.66	1350.26	1352.85	1742.65	8.89	0.83	16.86	66.67	706.67
66 Telecommunications(8)	1965.78	–0.5	1975.39	1993.29	1993.51	2153.75	4.10	1.53	19.91	50.32	913.07
68 Water(11)	2200.51	–0.7	2216.07	2223.47	2216.22	2027.69	6.26	2.31	8.64	94.85	1244.54
69 NON-FINANCIALS(670)	2036.08	–1.0	2057.08	2060.26	2058.00	1851.24	3.78	1.84	18.01	72.44	1573.99
70 FINANCIALS(105)	3157.59	–0.9	3187.26	3197.87	3190.15	2604.26	4.20	2.38	12.53	117.11	1387.82
71 Banks, Retail(8)	4529.53	–1.2	4583.97	4615.67	4597.45	3569.55	4.00	2.71	11.54	174.00	1513.60
72 Banks, Merchant(6)	3718.12	–1.1	3757.70	3754.79	3751.90	3654.90	2.80	2.85	15.62	81.39	1192.31
73 Insurance(22)	1469.06	–0.5	1477.02	1473.74	1468.36	1338.77	5.71	2.30	9.52	60.41	1123.16
74 Life Assurance(6)	3567.49	–0.6	3587.56	3589.34	3556.22	2998.56	4.35	1.94	14.80	146.21	1514.76
77 Other Financial(20)	2648.62	–0.2	2652.99	2659.01	2663.54	2266.84	4.03	1.77	17.53	86.02	1534.71
79 Property(41)	1642.25	–0.6	1652.42	1652.61	1659.65	1445.61	3.90	1.26	25.43	45.28	1025.92
80 INVESTMENT TRUSTS(127)	3180.51	–0.7	3203.05	3205.23	3207.18	2944.58	2.24	1.11	50.06	55.97	1120.33
89 FT-SE-A ALL-SHARE(902)	1934.02	–1.0	1953.44	1957.02	1950.79	1730.61	3.80	1.93	17.07	68.15	1665.59
FT-SE-A Fledgling	1243.10	–0.5	1249.92	1250.44	1249.82	1074.96	2.79	2.25	19.88	26.67	1313.07
FT-SE-A Fledgling ex Inv Trusts	1256.85	–0.6	1264.40	1265.00	1264.36	1071.08	2.99	2.41	17.36	29.46	1329.19

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3952.0	3942.2	3937.1	3933.2	3924.8	3925.1	3926.8	3926.6	3915.9	3952.3	3914.9
FT-SE Mid 250	4422.4	4421.7	4418.1	4414.4	4406.6	4405.6	4405.4	4404.0	4396.0	4422.7	4394.4
FT-SE-A 350	1972.1	1968.2	1965.8	1964.0	1959.9	1960.0	1960.6	1960.4	1955.3	1972.2	1955.0

Time of FT-SE 100 Day's high: 8:33 AM Day's low: 4:06 PM. FT-SE 100 1996 High: 3977.2 (16/09/96) Low: 0 (20/09/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1173.8	1173.7	1173.0	1173.0	1172.0	1171.3	1171.3	1171.8	1171.8	1171.6	1175.8	–4.2
Pharmaceuticls	5557.0	5536.6	5525.3	5517.1	5517.4	5517.3	5525.9	5539.9	5518.6	5519.7	5560.5	-40.8
Water	2198.9	2199.5	2196.9	2195.9	2194.4	2194.4	2194.4	2194.1	2187.2	2186.8	2202.7	–15.9
Banks, Retail	4639.3	4618.9	4618.9	4611.2	4598.1	4590.1	4590.4	4592.9	4582.2	4587.3	4642.5	–55.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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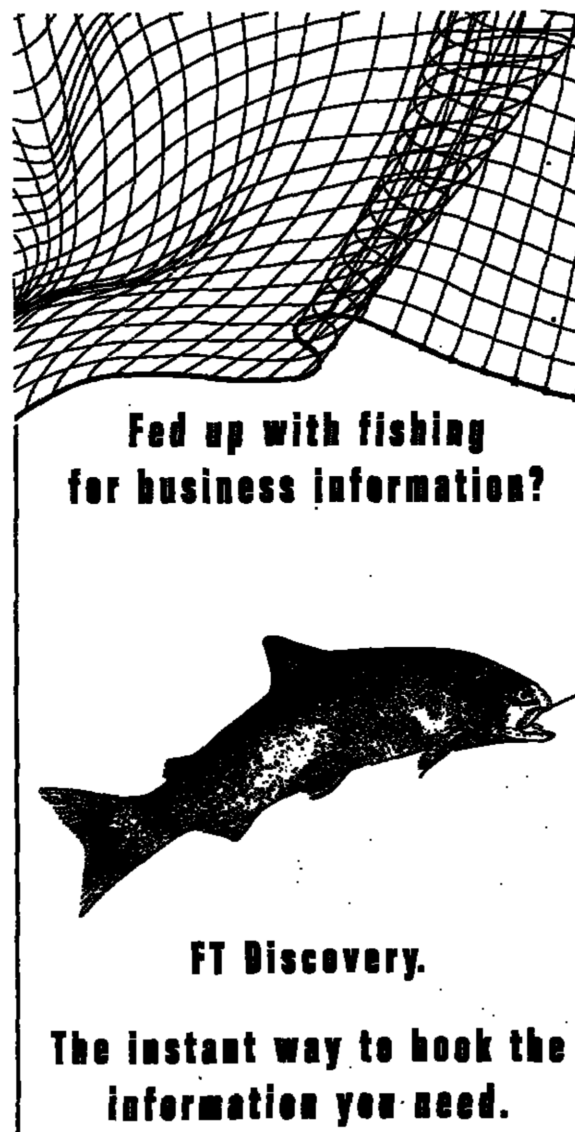
TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	2,200	480	-3
ASDA Group†	3,400	108¼	-¼
Abbey National†	3,000	613½	-8½
Albert Fisher	624	41¾	+¼
Allied Domecq†	787	458½	-6½
Anglian Water	306	586½	-3
[illegible]			



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 23 / Sch)

BELGIUM/LUXEMBOURG (Sep 23 / Frs.)

CZECH REP (Sep 23 / Koruna)

DENMARK (Sep 23 / Kr)

FINLAND (Sep 23 / Mks)

FRANCE (Sep 23 / Frs)

GERMANY (Sep 23 / Dm.)

GREECE (Sep 23 / Drachma)

ITALY (Sep 20 / Lira)

NETHERLANDS (Sep 23 / Fls.)

NORWAY (Sep 23 / Kroner)

POLAND (Sep 23 / Zloty)

PORTUGAL (Sep 23 / Escudo)

SPAIN (Sep 23 / Pts.)

SWEDEN (Sep 23 / Kronor)

SWITZERLAND (Sep 23 / Frs.)

TURKEY (Sep 23 / Tk Lira)

PACIFIC

JAPAN (Sep 20 / Yen)

HONG KONG (Sep 23 / H.K.$)

INDONESIA (Sep 23 / Rupiah)

MALAYSIA (Sep 23 / MYR)

NEW ZEALAND (Sep 23 / NZ $)

SINGAPORE (Sep 23 / S$)

AUSTRALIA (Sep 23 / Aust$)

SOUTH KOREA (Sep 23 / Won)

TAIWAN (Sep 23 / TW $)

THAILAND (Sep 23 / Baht)

AFRICA

SOUTH AFRICA (Sep 23 / Rand)

NORTH AMERICA

CANADA

TORONTO (Sep 23 / Can $)
4 pm close

MONTREAL (Sep 23 / Can $)
4 pm close

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Sep 20	Sep 19	Sep 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5888.46	5867.74	5877.36	5889.20 (16/9)	5032.94 (10/1)	5889.20 (16/9/96)	41.22 (8/7/32)
Home Bonds	102.02	102.09	102.05	108.89 (14/2)	100.89 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2100.71	2063.90	2044.78	2286.20 (22/5)	1882.71 (18/1)	2286.20 (22/5/96)	13.23 (8/7/32)
Utilities	219.46	218.14	218.00	234.98 (12/2)	204.86 (30/7)	258.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 5925.82 (5908.60) Low 5840.74 (5818.17) (Theoretical♦)
Day's high 5897.33 (5881.43) Low 5864.78 (5847.40) (Actual♦)

Standard and Poors	Sep 20	Sep 19	Sep 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	687.03	683.00	681.47	687.83 (20/9)	598.48 (10/1)	687.03 (20/9/96)	4.40 (1/6/32)
Industrials¶	814.67	816.05	807.58	814.67 (20/9)	702.07 (15/1)	814.67 (20/9/96)	3.52 (30/6/32)
Financial	71.04	70.62	70.81	71.94 (16/9)	58.67 (10/1)	71.94 (16/9/96)	7.13 (4/9/74)
NYSE Comp.	365.77	363.94	363.44	365.77 (20/9)	321.41 (10/1)	365.77 (20/9/96)	4.64 (25/4/42)
Amex Mkt Val	565.20	565.44	566.65	614.89 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1219.69	1212.09	1205.71	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 20	Sep 13	Sep 6	Year ago
Dow Jones Ind. Div. Yield	2.16	2.17	2.24	2.42
	Sep 18	Sep 11	Sep 4	Year ago
S & P Ind. Div. yield	1.98	2.02	2.06	2.05
S & P Ind. P/E ratio	22.41	21.84	21.50	18.14

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	8,152,000	30⅛	+⅛
Micron Tech	7,325,500	27⅞	———
Coca Cola	6,678,900	51⅞	-1
EMC	5,226,100	23¼	+⅜
Wal Mart	5,123,500	27⅞	+¼
AT & T	5,022,000	57	-⅛
Amer Online	4,478,300	34⅝	+1¼
Gen Elec	3,883,900	89¼	+1⅜
Gen Motors	3,534,800	49⅝	+½
Hewlett Pck	3,251,700	48	+⅝

■ TRADING ACTIVITY

● Volume (million)

	Sep 20	Sep 19	Sep 18
New York SE	489.578	398.658	383.995
Amex	27.882	17.964	21.246
NASDAQ	608.166	580.097	561.208
NYSE			
Issues Traded	3,182	3,221	3,206
Rises	1,431	1,110	955
Falls	894	1,248	1,354
Unchanged	857	863	897
New Highs	100	79	101
New Lows	21	34	24

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	691.90	688.00	–3.90	690.20	687.90	53,183	172,654
Mar	696.70	694.50	–3.75	696.70	694.50	198	3,980

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	21280.0	21180.0	–140.0	21340.0	21130.0	24,882	194,255
Mar	21350.0	21350.0	–	21350.0	21350.0	2	9,598

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... highs and lows are the averages of the highest and lowest prices reached during the day by each ... highs and lows supplied by Telekurs represent the highest and lowest values that the index has reached ... are previous day's. ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, September 20, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sanwa Bank	11.0m	2050	-50	Honshu Paper	6.1m	664	+3
Ga-Jo-En Kanko	9.5m	80	+25	Bk Tk-M'bishi	4.6m	2280	+40
Sumitomo Seika	7.5m	658	+43	Miyakoshi Corp	4.0m	600	+100
New Oji Paper	7.1m	805	+3	Sumitomo Mtl Ind	3.8m	309	-9
Nippon Steel Cp	6.3m	341	-2	Daiichi Kangyo B	3.8m	1890	+10

Prices supplied by Telekurs

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4 pm close September 23

NEW YORK STOCK EXCHANGE PRICES

44½	32½	Bausch	1.04	2.8	22	732	37⅛	36⅞	37⅛	
46⅛	39¾	Baxter x	1.21	2.7	18	6317	45⅛	44⅝	44⅝	-¼
43⅞	20¼	BayNtwks			26	28717	28⅞	28⅛	29⅛	+⅞
28⅞	25⅜	Bay St Gas	1.54	5.7	12	84	27	26⅝	26⅞	-⅛
40⅞	15¾	BBN			5	656	18¼	18	18¼	
22¼	19⅜	Bd Tr 1838 x	1.56	8.1		76	19½	d19⅜	19⅜	-⅛
8⅞	7¾	BEA IncFd	0.72	8.6		3589	8⅝	8⅛	8⅛	-¼
9⅜	8½	Bea Strat	0.81	8.9		215	9¼	9⅛	9⅛	-⅛
24⅞	17¾	Bear Stns	0.60	2.7	6	1804	22¾	22⅝	22⅝	-⅛
44⅞	41	BearStPR	2.85	6.4		z100	44⅝	44⅝	44⅝	
33¾	24	Bearings	0.58	2.0	14	122	28⅞	27⅞	28	-¾

22⅝	17¼	Keystn Int	0.74	3.7	27	168	20½	20¼	20¼	-⅛
128½	80⅝	KimbCl	1.24	2.2	2718	5280	85⅛	84½	85	+¼
45⅛	34⅛	KingWrld			9	1054	36¼	35⅞	36⅛	+⅛
14¼	5⅞	Kmart	0.48	4.9		7458	9⅞	9⅝	9⅞	
38½	28⅞	Knrdg	0.80	2.2	35	1979	37	36¾	36⅞	
15⅝	9⅝	Kollmorgen	0.08	0.6	20	78	13	12⅝	12¾	-¼
24	17⅞	Korea Fd	0.06	0.3	450	328	18¼	d17⅞	18	-⅛
41⅞	34⅛	KPM	1.34	3.9	11	607	34½	d34⅛	34⅛	-½
44⅛	33½	Kroger			16	1546	43⅞	43	43½	-¼
30½	27⅛	KU Energy	1.72	5.9	12	290	29⅞	29	29⅛	-¼
18½	11⅞	Kuhlman Co x	0.60	4.0	14	305	15⅜	14⅝	15⅛	+⅜
155	128½	Kyocera CP	0.85	0.6	17	14	142	141¾	142	-½
27¼	21⅞	Kysor Indr	0.66	2.5	6	21	26¼	26¼	26¼	

Continued on next page

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4 pm close September 23

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close September 23

AMEX PRICES

4 pm close September 23

Dow weakens ahead of Fed rate decision

AMERICAS

US share prices were lower in quiet trading at midsession yesterday as Wall Street awaited the outcome of today's meeting of the Federal Reserve's Open Market Committee, *writes Lisa Bransten in New York.*

Shares fell at the opening bell with the Dow Jones Industrial Average falling 53.27 points in the first half hour of trading, triggering the uptick rule that restricts program selling.

By 1 pm, however, the market had stabilised and the Dow was holding a loss of 32.19 at 5,856.27. The Standard & Poor's 500 fell 4.22 at 682.80 and the American Stock Exchange composite fell 1.60 at 563.60. Volume on the New York Stock Exchange was light at 161m.

Shares came under some pressure from the bond market, which also fell in quiet trading as investors nervously waited to see whether the Fed would raise interest rates.

Technology shares were sharply lower yesterday. The Nasdaq composite, which is weighted towards that sector, gave up 9.67 at 1,210.02 and the Pacific Stock Exchange technology index *was 1.2 per cent lower.*

Larger capitalisation companies in the Nasdaq, which propelled the market higher for much of last week, posted *losses. All four* of the largest companies on the Nasdaq were weaker. Microsoft gave up $1⅝ at $136⅝, Intel shed $1⅛ at $96¼, Cisco Systems was $⅝ lower at $60⅝ and Oracle Systems shed $1⅛ at $43⅝.

America Online, the online service provider that moved from the Nasdaq to the NYSE last week, shed $⅝ or 3 per cent at $33⅝ in the wake of a report that said an increasing number of Internet users were accessing the global computer network through a direct connection rather than via an online service.

Lehman Brothers, the New York investment bank, continued to gain in the wake of a report on Friday that it was in negotiations to be acquired by a commercial bank.

Yesterday the shares added $⅜ to the $1⅛ they rose on Friday bringing them to $23⅛.

Other investment banks were mostly lower. Merrill Lynch was off $⅝ at $64⅛, Salomon gave up $⅜ at $46⅞ and Morgan Stanley fell $⅝ at $47⅝.

TORONTO followed Wall Street lower and at noon the 300 Composite index was off 9.63 at 5,277.84.

Mining stocks supplied the sharpest declines with the golds sector retreating 0.7 per cent.

Banks, where the sector *dipped 0.2 per cent,* were among the more resilient shares. Both Royal Bank of Canada and Toronto Dominion Bank held steady.

Elsewhere among leading stocks, Alcan Aluminium fell 60 cents to C$41.70. Northern Telecom was 65 cents lower at C$75.65.

Rates worries hold back bourses

EUROPE

Leading European bourses traded lower in weak volume as worries about a possible rise for US interest rates laid a restraining hand on activity.

PARIS held up a mirror to the overall trend. The CAC-40 dipped 12.37 to 2,067.09 in turnover which, at Fr2.5bn, was said to be around half the recent daily levels.

Dealers said the market had factored in a rise this week of a quarter point for US rates but that anything in excess of this would probably spark significant selling.

Not helped by a one-day strike call by public sector unions, Peugeot fell FFr14 to FFr669 after announcing more than halved first half profits. Its rival motor group Renault dipped FFr1.20 to FFr118 and the tyremaker, Michelin, came off FFr3.30 to Frr257.7.

Pernod Ricard was a resilient market following news of a possible share buy-back. Down steeply last week on disappointing interims, the shares added 80 centimes to FFr278.1.

Canal Plus, which bounced on Friday as Groupe Bruxelle Lambert of Belgium took a 1.3 per cent stake, eased FFr4 to FFr1,191. The group puts out interims on Wednesday. Alcatel Alsthom added 30 centimes to FFr388.7 ahead of Thursday's interims.

FRANKFURT fell back from Friday's all-time peaks with the Dax index dipping 17.32 to an Ibis-indicated 2,624.0. Turnover was DM5.8bn, down from a daily average last week of DM8.5bn. "After all the excitement on Friday, the market has barely ticked over today," said one trader.

A setback for German bonds also depressed sentiment. Bunds fell 40 basis points, partly on US rate worries but also reflecting concern over the health of the Russian president, Boris Yeltsin. There were few features among leading shares.

Milan remained closed for the day after the start of trade was delayed repeatedly during the morning by technical problems.

Volkswagen came off DM1.50 to DM573.50 in spite of good news from its Spanish unit Seat which for the first eight months of 1996 has clawed back to profit for the first time in five years.

Metro dipped 40 pfg ahead of interim results which most observers feel will emerge on Wednesday.

AMSTERDAM ended a lacklustre session with share prices modestly lower. The AEX index closed 4.03 off at 561.57.

Concern for an upward move for US interests hit financial stocks the hardest. ABN Amro came down Fl 1.10 to FL 81.70 and ING dipped 60 cents to Fl 52.10.

Pockets of resistance to the broad decline were rare. An upbeat presentation to analysts allowed the electronics giant Philips to gain 40 cents to Fl 59.70. Paper group KNP also put on 40 cents. The shares closed at Fl 40.60.

ZURICH followed the weak tendency elsewhere in Europe and the SMI index fell 59.4 to 3,635.5, reflecting sharp falls in index heavyweights.

The Novartis partners were marked down on news that the completion of their merger may be delayed until next year because a review of the group's genetic technology operations in the US was taking longer than expected. Ciba fell SFr29 to SFr1,546 and Sandoz was SFr30 lower at SFr1549. Roche certificates were also pressured, down SFr190 to SFr8,995.

Holderbank lost SFr27 to SFr867 on foreign sales by investors who took the view that the half year results were disappointing and that the outlook was not encouraging. Nestlé was also sold by overseas investors, losing SFr22 to SFr1,366.

Surveillance fell SFr75 to SFr2,765 and Ems was SFr50 lower at SFr4,580 in further response to Friday's results.

Profit-taking hit Elektrowatt leaving the shares to ease SFr14 to SFr489.

MADRID escaped the downward trend as investors positioned themselves on expectations of a cut in Spanish interest rates today. The General index finished 0.09 higher at 358.99 as expectations grew that the Bank of Spain would cut its key money market rate by 25 basis points from the current 7.25 at today's regular repurchase tender. Telefónica rose Pta5 to Pta2,390 while Repsol was unchanged at Pta4,095.

ATHENS staged a strong opening on the back of Sunday's general election victory for prime minister Costas Simitis and his party, but fell away later in the day. The general index ended off 5.53 at 958.41.

Brokers said the market, up strongly ahead of the poll, ran into profit-taking after posting initial gains which lifted the general index by 1.5 per cent. Investors were said to have turned more cautious ahead of what is widely expected to be a stern budget statement from the government.

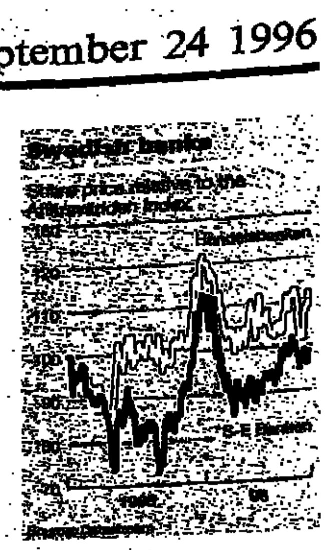
HELSINKI was weak in the absence of domestic news to drive the market and the Hex index lost 11.55 to 2,127.21, with the heavily traded Nokia losing FM0.80 to FM194.

MOSCOW dropped 2.8 per cent on the news that President Yeltsin's heart operation may be delayed for up to two months. The Moscow Times index finished 5.58 down at 293.91 as foreign and domestic investors became reluctant to buy.

Written and edited by Michael Morgan and Jeffrey Brown

FT-SE Actuaries Share Indices

Sep 23	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Bank merger plan enlivens Stockholm

Stockholm was broadly weak, although the banking sector was fuelled by speculation that Handelsbanken and S-E Banken had begun tentative talks about a possible merger.

Neither bank would comment and analysts said that the idea was intriguing. However they concluded that any such move was hardly realistic for a number of reasons, not least the prospect of an unusually severe clash in the corporate cultures.

Nonetheless, Handelsbanken rose SKr1 to SKr155.5 and S-E Banken picked up to SKr59.5 from SKr59, while the Affärsvärlden index *dropped 25 to 2,043.*

Bangkok erases lead as political worries return

ASIA PACIFIC

Political worries stopped investors in their tracks, leaving BANGKOK to *reverse initial gains.*

The market moved forward strongly at the opening bell, hitting an intra-day peak as a result of the weekend announcement that the prime minister, Mr Banharn Silpa-archa, was to resign.

But by midday there was a rumour that the defence minister, Mr Chavalit Yongchaiyudh, would be *taking over the top job and* this turned a 16 point morning rally on its head. At the close, the SET index was off 11.01 at 1,034.37 in moderate turnover of Bt4.8bn.

The prime minister is to *step down* in exchange for the support of five coalition partners in a parliamentary no-confidence vote.

However, the first name to emerge in the *search for a* new leader met with a muted market response. "Investors are sceptical that Chavalit, if appointed, could solve Thailand's economic problems," said one dealer.

There was clear profit-taking towards the close of the session. Finance One, the day's most actively traded stock, dipped Bt0.50 to Bt99. *Thai Farmers Bank came off* Bt0.30 to Bt167. Land and Houses fell Bt2.75 to Bt25.50.

HONG KONG finished firm but off an intra-day *high for the year, with* investors said to be already discounting a 25 basis points rise in US interest rates *after today's Fed meeting.*

The Hang Seng index closed 59.77 higher at 11,622.13, after peaking at 11,684.00, in turnover that edged down to HK$4.9bn.

Analysts said investors seemed particularly optimistic about the property sector after an enthusiastic response to recent property development sales. Henderson Land hit an all-time high *at HK$66.50 and ended the* session up HK$1.75 at a record close of HK$66.25. Hysan Development rose 30 cents to HK$23.95 after reporting higher interim net profits. Amoy Properties net profits failed to match expectations and the shares eased 15 cents to HK$8.95.

Tokyo was closed for a public holiday.

HSBC Holdings hit a record intra-day high at *HK$143* before *closing* up *50* cents at HK$142.00.

SYDNEY closed lower amid continued weakness for resource stocks. The All Ordinaries ended off 21.6 at 2,219.2 having traded up to 2,240.8 *at one stage.*

"With weak base metal prices, no one wants to commit themselves to the market at the moment. Share *prices will continue to fall* unless we see any improvement in commodity prices," one dealer said. CRA ended 37 cents lower at A$18.08, *WMC 27 cents at A$7.89 and* BHP 22 cents at A$15.82.

COLOMBO closed slightly higher in trading dominated by a handful of blue chips. Good gains by National Development Bank and industrial group Richard Pieris helped lift the all share index 1.3 to 574.14.

The two blue chips accounted for well over half the total volume of 796,714 shares. National Development rose Rs3 to Rs200 on foreign buying and Pieris gained Rs7.25 to Rs102 following renewed buying by two major shareholders.

SINGAPORE was pressured by Friday's poor *export* figures and by a lack of buying from institutions, who were awaiting news from today's FOMC meeting.

The Straits Times Industrials index finished down 31.07 at 2,156.79, while two of its constituents, Fraser & Neave and Cycle & Carriage, were down 60 cents and 40 cents at S$14.60 and S$15.10.

SEOUL ran into late profit-taking and the *composite* index closed just 0.83 higher at 769.30. Analysts noted that large-cap shares led the day's trading while low-cap shares, which had risen in recent days, underperformed the market.

Samsung Electronics picked up Won600 to Won58,900 as local investors positioned themselves for October 1 when the foreign shareholding ceiling will expand to 20 per cent from the current 18 per cent. Two cable television operators were heavily traded. Dae Ho Construction rose Won2,100 to Won38,300 and Midopa added Won800 to Won14,500.

KUALA LUMPUR's blue chips continued to take a backseat to small-capitalisation issues. News *that* long-awaited July trade figures were below the market's worst expectations failing to inspire the market. The composite index lost *4.09* at 1,126.51, while the small-capitalisation Second Board index turned back from a peak of 619.28 but still closed 1.35 higher at 608.48.

SHENZHEN's hard currency B shares rose 2.2 per cent in spite of a new crackdown on mainland Chinese buying of new B shares.

The B index rallied 1.96 to 89.32 after hitting an intraday low of 86.02, in turnover that expanded to HK$29.6m.

SHANGHAI's local currency A shares closed 5.9 per cent higher but the B index fell 0.29 to 49.05 in response *to the crackdown on* purchases by local investors.

BOMBAY was lower in edgy trade after the former prime minister, Mr P. V. Narasimha, resigned as president of the Congress Party. The BSE-30 index closed down 15.69 at 3,331.09.

KARACHI recouped early losses as investors squared positions on settlement day. *The KSE-100 index was* pressured early in the day on fears of sectarian unrest after gunmen killed 21 people in a mosque. However it subsequently picked up to close 3.47 higher at 1,418.43.

Caracas forges ahead

The weak opening session on Wall Street left most *regional markets* lower.

CARACAS, however, added to Friday's near 2 per cent gain with the IBC index picking up another 78.48 at 5,027 by midsession. Volume was dull but there was some *support for sentiment from a* move by Credit Lyonnais in New York to raise its Venezuela portfolio weighting to 5 from 3 per cent.

BUENOS AIRES continued *to soften with the Merval* index 0.69 weaker at 547.31 by midsession. Activity was flat as market participants awaited the outcome of today's meeting of the Federal Reserve policy making *committee.*

MEXICO CITY was lower with the IPC index off 11.42 at 3,306.81 by midsession.

South Africa slips further

Shares in Johannesburg *stayed weak, extending Friday's losses as bullion price worries continued to dog the* market. Activity was dull ahead of today's shutdown *for Heritage Day.*

The overall index ended down 17.4 at 6,917.9. Industrials lost 19.9 to 8,170.9 and golds came off 16.5 to 1,721.4 in subdued trading as the bullion price drifted lower. Among leading stocks, De Beers shed 50 cents to R140.25. South African Breweries came off R3 to R126.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+1.80	+0.76	+3.48	+7.93	+1.80	+1.98
Belgium	+0.85	+1.93	+17.91	+10.57	+4.15	+4.33
Denmark	+0.89	+2.55	+17.32	+17.12	+11.26	+11.46
Finland	-0.03	+0.87	-17.89	+17.49	+12.38	+12.58
France	-0.17	+2.80	+13.58	+13.83	+8.24	+8.42
Germany	+1.52	+2.99	+12.82	+14.95	+8.42	+8.61
Ireland	+1.57	+3.87	+19.23	+15.64	+15.44	+15.64
Italy	-0.77	-2.56	-11.31	-2.45	+1.35	+1.53
Netherlands	-0.19	+1.32	+21.53	+16.48	+9.76	+9.95
Norway	+0.11	+2.14	+9.54	+12.47	+8.59	+8.78
Spain	+0.49	+1.01	+17.30	+12.82	+7.20	+7.39
Sweden	-1.01	+4.04	+10.85	+19.58	+19.56	+19.77
Switzerland	-0.58	-0.71	+21.35	+11.14	+2.97	+3.14
UK	-0.14	+1.23	+11.32	+7.87	+7.87	+8.05
EUROPE	+0.05	+1.46	+12.36	+11.06	+7.77	+7.96
Australia	-0.61	-2.83	+2.11	-0.07	+6.27	+6.45
Hong Kong	+1.60	+0.75	+17.06	+13.78	+13.57	+13.77
Japan	+1.17	-0.69	+9.22	+0.42	-5.83	-5.66
Malaysia	+1.94	+2.31	+12.99	+14.94	+16.48	+16.68
New Zealand	+1.67	+0.52	+2.62	+2.35	+9.28	+9.47
Singapore	+2.46	+0.93	+9.25	-0.66	-0.37	-0.20
Canada	+1.02	+2.37	+17.72	+13.85	+13.28	+13.47
USA	+0.97	+3.03	+16.71	+11.42	+11.23	+11.42
Mexico	+0.35	-1.73	+28.61	+19.46	+21.81	+22.02
South Africa	+0.60	+6.76	+22.35	+12.45	-9.13	-8.98
WORLD INDEX	+0.78	+1.65	+13.60	+8.71	+6.06	+6.24

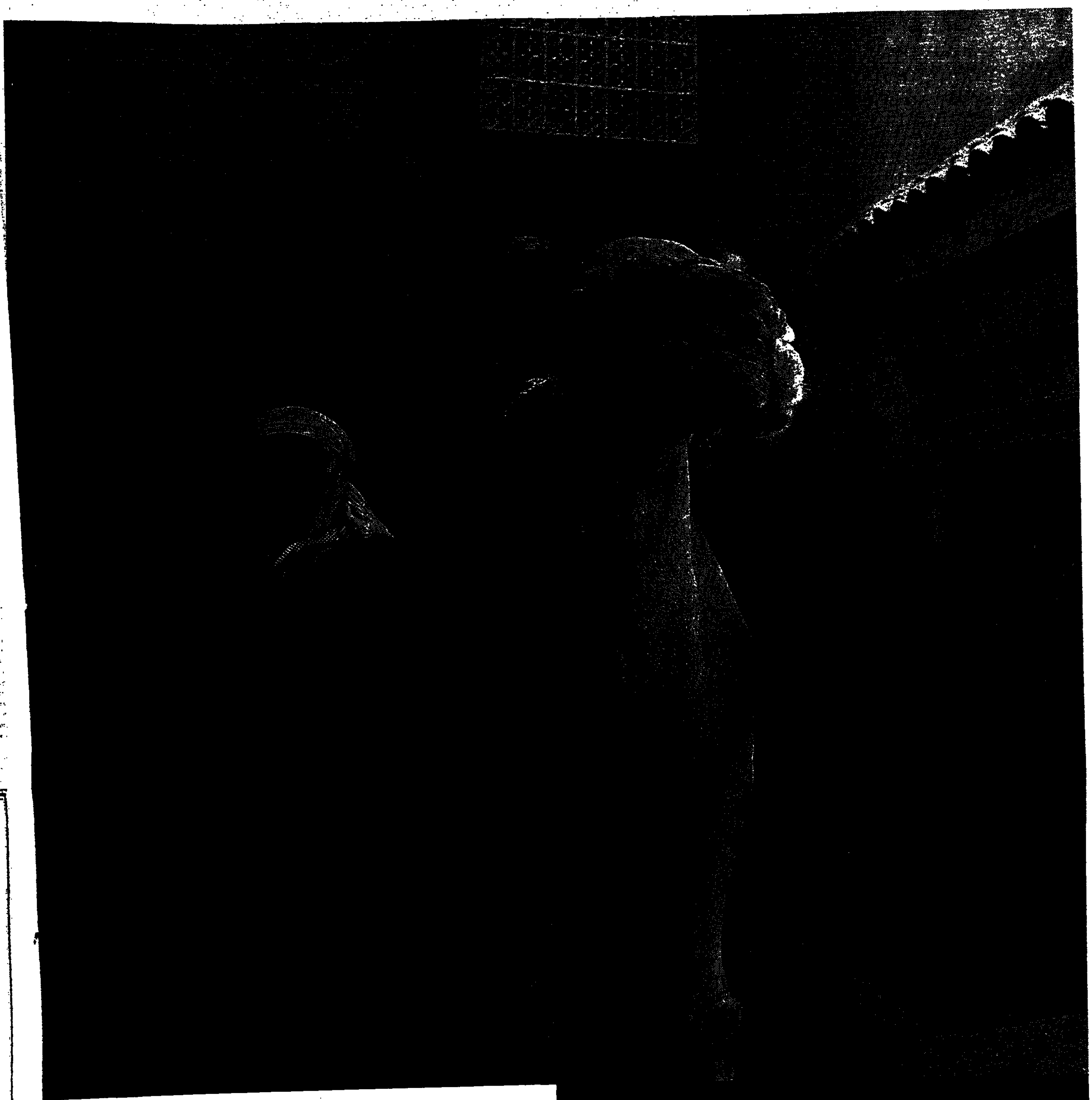
† Based on September 20th 1996.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 20 1996								THURSDAY SEPTEMBER 19 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	202.29	-0.1	192.84	140.33	159.31	169.79	-0.3	4.49	202.38	193.47	139.79	159.29	170.34	212.18	179.77	189.13
Austria (24)	177.93	-0.3	169.67	123.53	140.18	140.08	-0.3	2.01	178.60	170.73	123.36	140.57	140.49	195.04	168.11	177.60
Belgium (27)	218.20	0.6	208.01	151.44	171.85	167.83	0.6	3.97	216.98	207.42	149.88	170.78	166.79	218.59	190.88	191.07
Brazil (28)	185.77	0.5	177.10	128.93	146.31	348.76	0.6	1.98	184.77	176.64	127.63	145.43	346.67	189.70	123.97	157.76
Canada (117)	168.43	0.5	160.57	116.90	132.65	168.91	0.3	2.16	167.65	160.27	115.80	131.96	168.45	168.43	134.14	143.84
Denmark (30)	321.65	0.5	306.81	223.37	253.48	254.93	0.4	1.80	320.31	306.21	221.26	252.12	253.84	321.65	276.89	280.80
Finland (23)	210.60	0.2	200.76	146.16	165.86	200.30	0.3	2.49	210.10	200.85	145.12	165.37	199.71	268.38	171.73	265.40
France (93)	194.52	0.2	185.43	135.00	153.20	156.66	-0.1	3.10	194.06	185.54	134.06	152.76	156.88	198.39	167.70	173.68
Germany (58)	177.79	0.6	169.48	123.39	140.02	140.02	0.8	1.75	176.78	168.99	122.11	139.14	139.14	177.93	155.66	162.88
Hong Kong (59)	441.07	-0.1	420.47	306.12	347.38	437.89	-0.1	3.49	441.37	421.94	304.87	347.41	438.16	451.19	354.67	376.56
Indonesia (27)	207.03	0.9	197.36	143.69	163.05	294.63	0.9	1.67	205.21	196.18	141.75	161.52	292.00	-	-	-
Ireland (16)	295.47	0.5	281.67	205.06	232.71	259.75	0.5	3.45	294.06	281.13	203.13	231.47	258.57	296.00	241.27	245.17
Italy (58)	74.83	0.3	71.33	51.93	58.93	85.19	0.2	2.53	74.58	71.30	51.52	58.70	85.00	84.53	67.22	79.72
Japan (481)	146.16	-1.1	139.33	101.44	115.11	101.44	-0.6	0.75	147.79	141.28	102.08	116.33	102.08	164.66	137.75	142.78
Malaysia (107)	566.07	0.1	539.63	392.87	445.82	545.25	0.2	1.20	565.44	540.55	390.57	445.06	544.06	585.09	425.77	495.90
Mexico (19)	1263.53	-1.2	1204.81	877.13	995.36	10423.66	-0.7	1.29	1279.37	1223.04	883.71	1007.00	10497.26	1325.65	791.99	1174.33
Netherland (19)	299.85	0.4	285.84	208.10	236.15	232.42	0.5	3.16	298.66	285.51	206.30	235.08	231.36	304.24	251.61	254.96
New Zealand (15)	87.20	-0.2	83.13	60.52	68.68	86.21	0.0	4.14	87.35	83.50	60.34	68.75	86.24	87.35	75.94	80.33
Norway (35)	253.91	0.6	242.05	176.22	199.97	223.07	0.5	2.29	252.39	241.28	174.34	198.66	221.92	256.94	222.24	233.54
Philippines (22)	206.96	0.0	197.30	143.64	163.00	270.64	0.1	0.60	206.94	197.82	142.94	162.88	270.45	-	-	-
Singapore (44)	406.42	-0.8	387.44	282.07	320.09	263.70	-0.8	1.06	409.71	391.66	283.00	322.48	265.74	465.21	361.84	382.61
South Africa (44)	350.72	-0.5	334.35	243.41	276.22	345.27	-0.1	2.21	352.41	336.89	243.42	277.39	345.86	437.78	314.20	352.07
Spain (37)	177.40	0.3	169.11	123.12	139.71	171.30	0.4	3.42	176.78	169.00	122.11	139.15	170.64	183.85	145.15	153.18
Sweden (48)	373.79	0.6	356.33	259.42	294.39	366.16	0.4	2.33	371.65	355.19	256.64	292.45	364.64	375.96	294.19	313.89
Switzerland (37)	243.40	0.3	232.04	168.93	191.70	187.10	0.0	1.58	242.59	231.91	167.57	190.95	187.04	254.34	210.67	210.67
Thailand (45)	137.60	-0.5	131.17	95.50	108.37	135.55	-0.4	2.52	138.26	132.16	95.51	108.84	136.13	193.96	128.90	165.84
United Kingdom (200)	249.10	0.1	237.47	172.88	196.19	237.47	-0.2	4.02	248.89	237.93	171.92	195.90	237.93	250.30	220.85	223.33
USA (623)	279.95	0.6	266.87	194.29	220.48	279.95	0.6	2.12	278.38	266.12	192.29	219.12	278.38	279.95	236.38	238.87
Americas (787)	256.00	0.5	244.04	177.67	201.62	215.27	0.5	2.11	254.62	243.40	175.87	200.41	214.12	256.00	215.17	219.46
Europe (705)	216.88	0.3	206.73	150.51	170.79	188.69	0.1	3.04	216.24	206.72	149.36	170.20	188.46	217.74	191.44	194.79
Nordic (136)	320.56	0.5	305.59	222.48	252.47	275.66	0.4	2.26	318.88	304.82	220.25	250.97	274.54	322.00	261.13	280.83
Pacific Basin (878)	160.41	-0.9	152.92	111.33	126.34	113.20	-0.5	1.22	161.85	154.73	111.80	127.39	113.80	177.01	148.86	154.00
Euro-Pacific (1583)	183.80	-0.3	175.21	127.56	144.75	141.66	-0.2	2.11	184.38	176.26	127.36	145.13	141.98	190.57	166.51	170.90
North America (740)	273.13	0.6	260.38	189.56	215.11	272.45	0.6	2.12	271.62	259.66	187.62	213.79	270.96	273.13	230.17	233.93
Europe Ex. UK (505)	194.74	0.4	185.65	135.16	153.37	160.80	0.3	2.48	193.96	185.42	133.98	152.67	160.44	195.76	170.61	175.07
Pacific Ex. Japan (397)	289.26	-0.1	275.75	200.76	227.82	249.33	-0.1	2.97	289.50	276.76	199.97	227.87	249.63	298.68	243.59	259.60
World Ex. US (1791)	185.53	-0.3	176.86	128.76	146.12	146.59	-0.2	2.11	186.07	177.87	128.52	146.45	146.87	191.56	167.36	172.13
World Ex. UK (2214)	211.67	0.1	201.79	146.91	166.71	179.75	0.2	1.92	211.51	202.20	146.10	166.48	179.45	213.05	185.61	189.95
World Ex. Japan (1933)	251.99	0.4	240.23	174.89	198.46	238.25	0.3	2.48	250.99	239.94	173.37	197.55	237.43	251.99	217.28	220.81
The World Index (2414)	214.92	0.1	204.88	149.16	169.26	184.93	0.1	2.11	214.75	205.29	148.33	169.03	184.68	214.96	186.87	192.87

Markets closed 23/9/96. Japan & Italy. Latest prices were unavailable for this edition.



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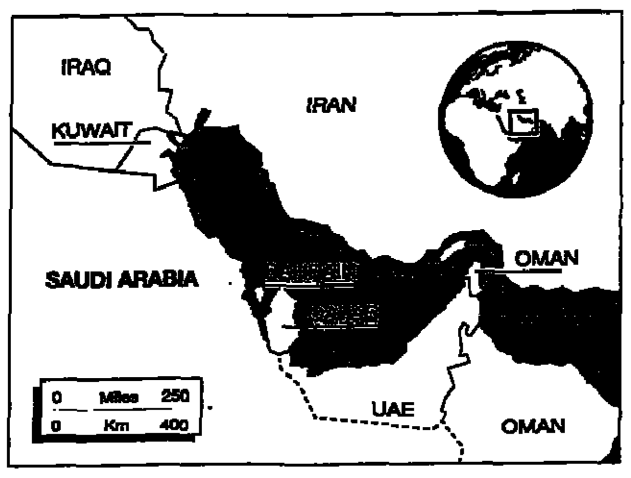
Attempts to arrange settlement in dispute over funds have failed

Qatar to pursue case against ex-emir

By John Mason, Law Courts Correspondent




Sheikh Khalifah: contesting actions

The emir of Qatar is to press ahead with worldwide legal actions to recover $3.5bn of state funds allegedly stolen by his father whom he deposed as leader in a coup last year, the Qatar ministry of justice said yesterday.

Attempts to arrange a settlement in the dispute have been unsuccessful and the first court action is now expected to go ahead in London's High Court in January.

The Qatar justice ministry said investigations had revealed that "huge amounts of public money had been transferred to private accounts abroad belonging to Sheikh Khalifah, the former emir, and Mr Issa Ghanim al-Kuwari, the director of his office at the time".

It did not say how much money was involved. Diplomats have estimated Sheikh Khalifah bin Hamad al-Thani controlled funds of at least $3.5bn. "Based on the preliminary results of the investigation. . . the government asked for the legal assistance of several countries to which money was transferred illegally. These accounts were frozen until legal cases by the Qatari government are settled against the two in Qatar and other countries," the ministry said.

The ministry's statement was the first official accusation levelled by the government against the former emir. Progress is being followed throughout the region and by international bankers who handle Arab overseas investments. The legal issues may be particular to Qatar but the dispute has wider implications for other Gulf states.

The current emir, Sheikh Hamad bin Khalifah al-Thani, claims the $3.5bn was misappropriated by his father over a 14-year period before his overthrow. Legal actions to recover the money have been started in eight countries including the UK, Switzerland, US, France and the Channel Islands.

Sheikh Khalifah is vigorously contesting the actions, maintaining in effect that, as ruler, the money was his to do with as he saw fit. "One cannot steal one's own money," he has said in response to the allegations.

At the heart of the dispute is the legal role of the Qatar emir and his powers to control the public funds of the oil-state. Does the emir enjoy virtually unfettered rights over his country's finances, as Sheikh Khalifah claims, or is he restricted by the constitution and the traditions and customs of Sharia law, as the new Qatar government maintains?

The dispute centres on transactions between 1981 and 1995 in which Sheikh Khalifah and Mr al-Kuwari are alleged to have transferred some $370m of public funds to offshore accounts. These sums were taken from the "Ruling Family" account at the National Bank of Qatar which, the Qatar government claims, are for the emir's official expenses.

The government also claims that Sheikh Khalifah ran up overdrafts on these accounts which totalled some $2.5bn. The state of Qatar has also assumed liability to the Qatar National Bank for a further $884m in overdrafts in the accounts.

The removal of such sums caused "financial chaos" for the state, Dr Najeeb al-Nauimi, the Qatar minister of justice, has previously said. The state must now assume considerable debt which has to be paid off, he said.

The legal issues will centre on interpretations of Qatar law – a mixture of written law and the customs and traditions of Islamic Sharia law – over the constitutional position of the emir. The government of Qatar has argued that Sharia law prevents an emir treating public money as his own.

The legal stances taken in court reflect the politics of modernisation which, against a background of falling oil revenues, are a subject of deep concern in the Gulf. Under Sheikh Hamad, Qatar has embraced modernisation. Other states, notably Saudi Arabia and Bahrain, have proved less enthusiastic about political reform.

This reflects another issue of concern in the region – the handing over of power to a younger generation of rulers. The Qatar coup marked the first time that the generation gap had been crossed in the region, said a western diplomat. That this should result in reforms such as a drive for greater transparency in public finances has concerned other Gulf rulers, he said.

"All this worries some of Sheikh Hamad's neighbours. They don't want a ruler of that type around," he said.

The case is also being followed by bankers who handle the investments of other Arab rulers. Although much Arab money is managed through London, the most popular places to invest it are, in order, Geneva, Zurich, Monaco and then London itself.

Most bankers maintain the case is not causing "huge concern" in investment circles because the circumstances are particular to Qatar. However, some disagree. One said the dispute could have widespread ramifications for London and other financial centres.

A legal victory for Sheikh Hamad could prompt other Arab rulers to reorganise their finances to safeguard their investments against similar actions, he said. If similar cases were ever brought to court, banks themselves might find themselves in jeopardy over the legal concept of "dishonest assistance" and so find themselves legally liable.

"There are an awful lot of people quietly taking legal advice," he said.

Fresh effort needed on poor country debt

By Robert Chote in Washington and Graham Bowley in London

The initiative on poor country debt drawn up by the World Bank and International Monetary Fund needs considerable strengthening if it is to have a decisive impact on needy countries, according to a study prepared for Commonwealth finance ministers.

The debt relief initiative will be a big issue at the Commonwealth finance ministers' annual meeting, which gets under way in Bermuda today. The scheme aims to reduce the debt burdens of up to 20 poor countries to sustainable levels.

An analysis prepared by the Commonwealth secretariat argues the rules determining whether a country is eligible to participate are too restrictive. They take too little account of the problems which debt servicing implies for government finances and they are too optimistic about the size of debt burden which countries can sustain relative to their exports, it says.

The report also calls for greater flexibility in the assessment of countries' policy track records. The scheme at present demands two three-year periods of sound policy before full relief is given.

The secretariat says Mozambique and Tanzania have had sound policies for most of the last 10 years, but they might be overly penalised for going "off track" in the recent past.

Ministers might therefore wish to consider advocating. . . a shorter time-frame for relief, by dropping the "double waiting period", with the objective of providing relief to as many countries as possible by the year 2000, the report says.

The World Development Movement, a leading pressure group, argued yesterday that the track record requirement should be relaxed. It said on the present rules only Uganda would benefit by the end of the century.

In financing the scheme, the secretariat is concerned too great a burden may be placed on the Paris Club of government lenders and the World Bank may end up shouldering too much of the cost among multilateral institutions. The World Development Movement said it was unlikely the Paris Club would agree this week to lift the 67 per cent debt relief it already offers under the "Naples terms" to the 90 per cent the IMF and World Bank would like.

A senior IMF official said yesterday it was likely to be a "protracted and difficult process" for the Paris Club to reach agreement. But he was satisfied that governments would provide bilateral contributions to help put the IMF's subsidised loan facility for poor countries on a permanent footing.

INTERNATIONAL NEWS DIGEST

UAE exodus hits projects

The exodus of low-wage manual and semi-skilled labourers from the United Arab Emirates has hit construction projects in the oil-rich Gulf state, builders in the UAE said yesterday.

Diplomats expect up to 200,000 expatriates will leave the UAE when a government amnesty for foreign workers without proper residence or work permits expires at the end of the month.

The UAE's decision to expel illegal expatriate workers, most from the Asian subcontinent, has left some construction companies, notably sub-contractors, stripped of their workforce, forcing them to suspend building work.

Local contractors see no easy solutions. "Our sub-contracted labour has left the country. The work will be delayed for the time being," said a manager at a local contractor close to completing a block of residential villas in the UAE capital, Abu Dhabi.

The UAE says the number of illegal workers, those who have overstayed their original work documents or smuggled themselves into the state, posed a threat to UAE security.

Sub-contractors rely heavily on imported labour from India, Bangladesh and Pakistan to erect the houses, roads, office blocks and public work projects that have turned the UAE into one of the leading and developed economies of the Gulf. Expatriate workers make up 75 per cent of the UAE's 2.4m population. *Reuter, Dubai*

Tunisia criticised on rights

Five human rights organisations yesterday sent an open letter to President Zine el Abidine Ben Ali saying that Tunisia's human rights record had deteriorated sharply.

"Thousands of individuals convicted for their beliefs and in unfair trials fill the prisons in your country, the practice of torture continues, often in the ministry of Interior itself," said the letter, signed by Amnesty International, the International Federation for Human Rights, Human Rights Watch, Lawyers Committee for Human Rights and Reporters sans Frontières.

High-profile cases this year have underlined the extent of the deterioration in human rights and led to the European Parliament passing a resolution expressing concern.

Tunisia was the first country on the southern flank of the Mediterranean to sign a partnership accord with the European Union last year. The accord, which aims to create a free trade zone within 12 years, also commits Tunisia to the respect of human rights. *Roula Khalaf, London*

S African miners killed

At least 18 people have been killed in two days of clashes between South African mine workers fighting with sticks, knives and blasting explosives, police said yesterday. They said the fighting, apparently sparked by ethnic rivalry between Pondo and Sotho workers, erupted at Buffelsfontein gold mine north-west of Johannesburg early on Sunday morning.

Before the latest violence at least 30 workers had been killed in two months of ethnic clashes on four other mines run by Gold Fields of South Africa, prompting President Nelson Mandela to appoint a judicial commission of inquiry. *Reuter, Johannesburg*

هكذا من الأصل

IRA intended a dramatic end to lull

The timing of the IRA's latest intended attack on the British mainland was no coincidence. After the political summer lull, attention turned yesterday to the start of the series of UK party political conferences. An explosion, at least the size of the London Docklands and Manchester city centre attacks, would have had a dramatic impact on the British political scene.

Security officials have consistently warned against assuming that the lack of terrorist activity in the three months since a bomb at a British army barracks in Germany indicated a change of tack by the IRA and its political wing, Sinn Féin.

They attributed the relative quiet in part to the success of security operations against active service units on the British mainland, in part to a tactical lull by IRA strategists, and in part to Irish republican leaders taking holidays.

Recent suggestions, largely emanating from Dublin, that the IRA was considering a restoration of the ceasefire it broke last February were treated with caution by many in London.

Security has been stepped up for the conference season. For the first time in several years, the opposition Labour party's leadership will receive the same level of protection as the ruling Conservatives.

Senior UK politicians and security figures acknowledge persistent tension in the republican movement between hardliners and those with a more flexible approach, such as Mr Gerry Adams, Sinn Féin's president, and Mr Martin McGuinness, its chief negotiator. The irony of yesterday's highly successive police operation is that it might strengthen the hand of the extremists, who will feel more frustrated.

Greg Boss

Police show a photograph of IRA bomb-making equipment seized in London yesterday

Mr Adams and Mr McGuinness have little to show for their tactics in recent months. The more Ulster politics slides back into its pre-ceasefire mode, the less interest is displayed in London by politicians and the public. And it is London which counts in publicity terms for republicans.

Multi-party negotiations in Belfast are stuttering along, with the province's so-called constitutional politicians bogged down at the very start of the agenda.

Those in London and Belfast who have long given up any aspirations of tying republicans into the political process – if they ever believed it was possible – see the police operation as just another day in a long-term conflict.

"This is very good news," said Sir John Wheeler, the UK's Northern Ireland security minister. "What it shows is that the police and other agencies are able to maintain a successful rate of attrition against terrorists."

Mr Adams is convinced that the talks would make some headway if Sinn Féin were allowed to participate. "It is clear that the vacuum and limbo in which we have all lived for some time is entirely dangerous. We must seek to fill the vacuum with real talks," Mr Adams said yesterday.

However, the longer it takes for the ceasefire to resume, the tougher it would be for the other parties even to sit down with republicans.

All the while, the Social Democratic and Labour party – the voice of moderation among minority nationalists in the province – sees its influence wane, and most unionist politicians convince themselves that their uncompromising position has been vindicated.

John Kampfner

Prime minister 'furious' over single currency row

By Robert Peston and John Kampfner, Whitehall

Mr John Major, the prime minister, is furious with Mr Kenneth Clarke, the chancellor of the exchequer, for breaking the cabinet's carefully crafted compromise on UK membership of a European single currency, close allies of the prime minister said last night.

Relations between Mr Clarke and the hierarchy of the governing Conservative party were under intense strain as Downing Street and Conservative Central Office reacted angrily to remarks by the chancellor strongly supporting a European single currency.

In a sign of the sensitivity of the issue, Mr Major discussed the resurgence of public divisions over EU policy with the party chairman, Mr Brian Mawhinney. "The prime minister is very angry," a close aide said later.

However, Mr Clarke is unlikely to lose his job. "He is too fine a chancellor to be fired," the aide said.

Senior advisers also held a series of meetings in an attempt to limit the fall-out from Mr Clarke's description as "pathetic" the idea that Britain could opt to participate in a later phase of monetary union.

Downing Street said there was no reason to believe that the government's "wait and see" approach would be changed. An official said the government had a "settled position". Asked to confirm that Mr Clarke's views corresponded to that, the official refused to comment.

Party officials expressed exasperation at the latest outbreak of in-fighting over Europe which threatens to take the spotlight off the leader of the opposition party, Mr Tony Blair, as he copes with potential difficulties at his party conference next week, and attempts by the Tories to show a united front at theirs the week after.

"Ken's been completely irresponsible," said one official. "We have an agreed line, why try to stretch it?"

Several Tory election strategists have called for scrapping of the formula agreed in cabinet last April of leaving a decision until the last moment, and putting any decision in favour of the euro to a referendum.

Some have called for an outright manifesto pledge to rule out a single currency for the duration of the next parliament; others believe the option could be looked at again after 1999, the planned start-up date.

A colleague of Mr Clarke said all he had wanted to do was to "flesh out the views he's always held". Mr Clarke left last night for a week of international meetings in Bermuda and Washington.

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Emu 'should improve London financial role'

By George Graham, Banking Correspondent

The UK's leading financial institutions yesterday moved to calm worries that London might lose its position as Europe's leading financial centre if the UK does not take part in European monetary union.

"Overall, if the UK participates in Emu, the City [of London] should consolidate its position as Europe's leading financial centre. In the event of non-participation, London's strong position should still endure," concludes a report published yesterday by a senior City of London working group.

In the bond and equity markets, competition could increase sharply with the advent of the single currency, but there was no reason why London could not continue to hold its own as a trading centre, according to the group, which included representatives from the British Bankers' Association, the London Investment Banking Association and the Association of Payment Clearing Services.

Only in the money markets was Emu likely to have a significant impact, because of the close link between these markets and the implementation of monetary policy by the future European central bank.

The assessment follows months of argument about whether the City's interests would be damaged if the UK stays out of Emu. Fears were stoked by moves from Germany and France to limit the access of UK banks to Target, the proposed cross-border payment system that will allow transfers of large sums of euros between central banks.

In its report the working group says individual banks should examine the possibility of using not just Target but also their branch networks on the continent, their correspondent banking relationships and the existing Ecu clearing system for their cross-border payments.

The risk of discrimination against banks from countries outside Emu must be kept in perspective, but it urges the European Commission to crack down on cases where countries abuse monetary arguments for protectionist purposes.

Mr Tim Sweeney, director-general of the BBA, said there had been a sea change in the attitude of UK banks to Emu over the last six months. Most had now recognised that they needed to prepare for a single currency, even if only the wholesale markets are likely to be directly affected.

"Anybody sitting on his hands and saying 'we're not prepared to talk about it' would be daft as a brush," Mr Sweeney said.

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UK NEWS DIGEST

China boosts export hopes

The Chinese government is to adopt UK design standards for roads and bridges in a move that could boost exports by helping engineering companies to win contracts in the country.

The Highways Agency, which is responsible for UK roadbuilding and maintenance, yesterday handed its design manual to the Chinese authorities in London. A full translation of the documents is planned. They will be published under licence in China.

The agency believes the licensing agreement will put UK civil engineers in a stronger position to win road contracts in China – its road building programme is one of the world's largest. Its current five-year plan includes the provision of 6,500km of motorways, 3,500km of trunk roads and thousands of bridges.

While most construction work in China is carried out by local operators, UK engineering groups hope to win design and consultancy contracts.

UK, US and German design standards are commonly used for reference and training in developing countries. However, it is unusual for an overseas government to publish a full set of translated documents. *Simon London*

■ INTERNET

Monitoring code proposed

Internet service providers in Britain unveiled proposals yesterday designed to tackle the problem of illegal material – particularly child pornography – being transmitted on the Internet.

The proposals, which include setting up a complaints hotline, establishing monitoring procedures and adopting a self-regulation code, have the backing of the largest Internet service providers in the UK and are supported by the government and London's Metropolitan Police.

There has been growing public concern about the availability of child pornography and other obscene material on the Internet in Britain and elsewhere. However attempts to regulate the Internet – including passing new legislation in the US – have generally failed.

Yesterday's proposals, initially put forward by Mr Peter Dawe, Internet entrepreneur and founder of the Safety-Net Foundation, have the backing of the Internet Services Providers' Association which represents 60 members and the London Internet Exchange. *Paul Taylor*

■ WATER INDUSTRY

French imports 'impractical'

Folkestone & Dover, an English water supplier owned by France's Générale des Eaux, has abandoned plans to import water through the Channel tunnel because it considers them impractical.

Mr Peter Darby, Folkestone & Dover's managing director, said that the main reason for laying the plan aside was that France was not much better endowed in water resources than the other side of the Channel.

Eurotunnel, which operates the tunnel, had been willing to co-operate after determining that it was technically feasible to use pipes designated for fighting fires to carry water supplies for consumers.

Folkestone & Dover is currently pinning its hopes on gaining extra resources from a takeover of its neighbour, Mid Kent Holdings, by its parent company Générale and Saur, another French conglomerate which owns English water companies. *Leyla Boulton*

Components sector 'declining'

Volkswagen chief hits at standards

By John Griffiths in London

Volkswagen, Europe's largest vehicles group, wants to nearly triple its annual spending on motor components in the UK to £1.5bn ($2.34bn) within the next three years, more than double that of Toyota or Honda. But it claims it is being frustrated by the UK components industry's "poor and in many cases declining quality and productivity".

In a performance analysis of 170 UK suppliers, in the industry publication Automotive Sourcing, only 11 per cent were given A-ratings and classified as fit to become a supplier to the German group.

The verdict by Mr Frans Boot, the VW executive charged with procuring UK supplies, on the majority of UK manufacturers contrasts with praise from Mercedes-Benz and BMW, which recently announced substantial components contracts with British suppliers.

BMW has just awarded a £17m contract for Midlands-based Automotive Products to supply BMW with high-technology fly wheels, while Mercedes-Benz has given a £15m contract to supply gearbox shafts for its forthcoming "A-Class" small car to Unipart Industries of Crawley.

Mr Boot, while acknowledging Unipart and some other leading UK suppliers as exceptions, said poor quality and productivity in the rest of the sector meant Volkswagen would fall far short of its target of lifting its UK components "spend" by £400m this year to £950m.

"Instead, it will rise by only £100m to £650m. Yet Volkswagen really wants to spend this money. It is right in principle that Volkswagen should balance the 6 per cent of its sales it makes in the UK, with raising its UK parts purchases to 6 per cent of its total spend worldwide. Currently the figure is only 2.5 per cent."

Mr Boot criticised under-investment by industry and short-termism by financial institutions as factors. He also condemned as largely misguided an initiative by the Society of Motor Manufacturers and Traders (SMMT), backed by the Department of Trade and Industry, under which Japanese engineers are to be brought to the UK to help raise standards.

Most of the UK sector's business lay within Europe. "UK suppliers must look to the Continent and do what Continental operations like Volkswagen require. There should be much more emphasis on creating engineers and in long-term planning. In Germany at the heads of companies we are all engineers."

Mr Ernie Thompson, chief executive of the SMMT, said the UK industry was "pretty patchy; we've got some very good components companies who are already winning a great deal of business with Japanese and German manufacturers. But there are also an awful lot whose performance has got to be improved, and that is exactly what the DTI-backed Industry Forum initiative is seeking to achieve."

Ironically, although perhaps overlooked by Mr Boot, VW also has an engineer taking part in the initiative.

Mercedes' spending with British suppliers reached £185m last year compared with just over £50m at the end of the 1980s, and is expected to top £200m within two years. BMW expects to spend about £125m this year, excluding supplies to its Rover subsidiary.

Tories may cut unfair dismissal rights

By John Kampfner, Chief Political Correspondent

Michael Heseltine said deregulation in the past year would save up to $78m annually Trevor Humphries

The statutory right of appeal against unfair dismissal for new employees in small businesses may be removed by a future Conservative government, ministers said yesterday.

Launching the annual report of the UK government's deregulation task-force, Mr Roger Freeman, public services minister, said business leaders and other organisations would be consulted on the proposal.

The report suggested that small businesses be defined as those employing fewer than 10 people. This, according to trade and industry department figures, would involve more than 90 per cent of companies and 15 per cent of employees.

The idea is the most radical element of a report which refers to selective successes in cutting red tape but expresses concern that the overall project has encountered considerable resistance in Whitehall.

Mr Francis Maude, task-force chairman and a former Treasury minister, said the change could create a "huge" number of jobs.

One way to prevent "frivolous" appeals would be to stop legal aid being paid before cases reached tribunals.

Urging government ministers to "elevate deregulation to the same level of concern as public spending", Mr Maude warned of "over-implementation" of European Union employment directives.

The government's response to several of the report's recommendations was circumspect.

Mr John Monks, general secretary of the Trades Union Congress, said rights to fair treatment could not depend on the number of people a company employed. "An attack on the rights of small firm employees would inevitably be just the thin edge of the wedge," he said.

Mr Michael Heseltine, deputy prime minister, said the government was determined to press ahead with deregulation. Annual savings of up to £50m ($78m) would accrue from orders passed by parliament over the past year, he said. The government also aimed to cut back on pay-as-you-earn and National Insurance paperwork.

A "green card" will be sent to more than 100,000 businesses spelling out their rights.

The report also recommended:

● The Securities and Investments Board, the City of London's chief watchdog, should co-ordinate a move by all financial services regulators to achieve a reduction of £100m over the next two years in the compliance cost of regulation.

● The Inland Revenue should set a target to achieve a net reduction of £100m in the compliance cost of taxation on business, disregarding costs incurred with self-assessment.

Nurses appeal for pay increases

By Andrew Bolger, Employment Correspondent

Nurses' leaders yesterday appealed to their pay review body for an end to local bargaining and a "substantial" national increase to avert a looming staff shortage across the National Health Service.

However, employers said the unions' call for a strong role for the pay review body, including the recommendation of a hefty national pay rise, would take the NHS "back to the dinosaur age of pay bargaining".

The representatives of 500,000 nurses, midwives and health visitors said bargaining at local level had been an "unmitigated disaster" this year. More than a third of NHS trusts had failed to make an local pay offer in addition to the 2 per cent national award recommended in February.

The Royal College of Nursing and other health service unions were furious when at the same time the pay review body for medical staff awarded junior doctors a national award of 6.8 per cent – a difference they said "did not reflect the rapidly expanding role of nursing staff into medical areas".

In its evidence to the review body, the Nursing and Midwifery Staffs Negotiating Council said it was looking for parity with comparable occupations. It also wanted account taken of a forecast increase in average earnings of 4.6 per cent next year.

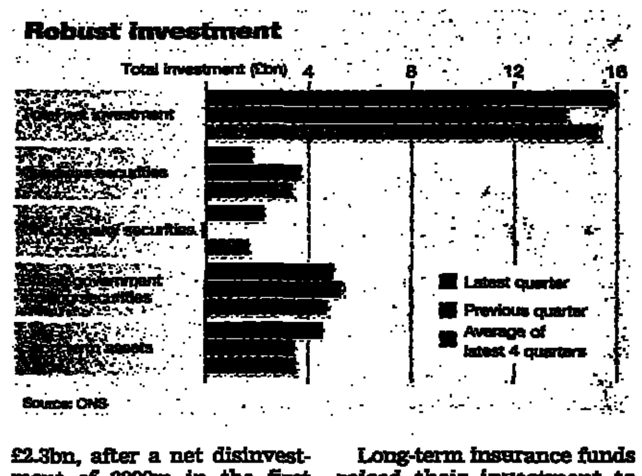
A grade D nurse, the lowest grade of registered nurse – was said to earn between 14 to 23 per cent less than social workers, teachers and policemen at the same level.

Ms Maggie Dunn, of the health and general union Unison, who chairs the negotiating council, said the impartiality of the independent pay review body had been called into question by the nurses who said that too often it reflected government policy.

Institutions turn to short-term assets

By Graham Bowley, Economics Staff

Robust investment



Source: ONS

Institutional investment is at its most robust since summer last year, thanks in part to the strongest investment in short-term assets for six years.

Official figures yesterday showed institutional investors stepped up investment in UK company securities and continued to invest strongly in UK government bonds, or gilts, in the second quarter of this year.

Total net institutional investment rose to £15.3bn ($24bn) in the second quarter, compared with £13.7bn in the first quarter, the Office for National Statistics said.

Net investment in short-term assets, such as cash or treasury bills, rose from £3.4bn to £4.3bn, the highest level since the second quarter of 1990.

Investment in UK company securities recovered to £2.3bn, after a net disinvestment of £200m in the first quarter.

But investment by institutions in overseas securities more than halved from £3.8bn to £1.8bn, its lowest level for a year.

Record investment by long-term insurance funds was one of the main reasons behind the strength of overall institutional investment.

Long-term insurance funds raised their investment to £8.4bn in the second quarter, accounting for more than half of total investment.

They increased their investments in short-term assets and more than doubled their investment in UK company securities. But their net investment in overseas securities more than halved to £600m.

Pension funds raised their overall investment by one third to £3.4bn, the highest level since the third quarter of last year. They stepped up net investments in gilts from £1.5bn in the first quarter to £1.8bn in the second quarter.

But pension funds' net investment in unit trusts fell by £200m to £700m. They disinvested £1.9bn in UK company securities, continuing the trend of disinvestment of recent quarters.

In contrast to the rising trend in pension and long-term insurance funds, unit and property trust investment was £700m lower in the second quarter at £2.9bn.

Overall net investment in gilts fell slightly from £5.3bn in the first quarter to £4.8bn in the second quarter.

Mr Kenneth Clarke, the UK chancellor, met Mr Eddie George, the governor of the Bank of England, yesterday for their regular discussion about the economy and interest rate policy, Graham Bowley writes.

Economists are split on whether Mr Clarke will decide to cut interest rates again or whether he will have to start raising rates soon. Inflation at present is subdued, but recent economic data suggest that the strong rebound in consumer spending forecast by the government for the second half of this year is gathering speed. This will make it difficult for Mr Clarke to cut rates again without provoking an adverse reaction in financial markets.

Short sterling futures markets, which sold off slightly yesterday, suggest investors expect base rates to rise from their present 5.75 per cent to about 6 per cent by Christmas. They expect rates to be about 6.5 per cent next summer.

هكذا من الأصل

ARTS

The ghosts of lives past

William Packer finds a refreshing ambiguity in Rachel Whiteread's work

Rachel Whiteread, who is now all of 33, was one of the stars of the generation of young British artists which rose to prominence in the later 1980s. She won the Turner Prize in 1993, just as her controversial "House" project, in which she preserved for a while the interior spaces of an East End Victorian terraced house while the house itself was demolished, was making her a national figure. She has earned her retrospective.

For our part, the interest is somewhat broader. The point of a shooting star, after all, is that it fizzles out, while a rising star wins a more permanent place in the firmament. Which sort of star is she?

In the event her claim is persuasive, even impressive. Although this is a small show of only 20-odd works, augmented by a set of photographic prints of tower-blocks being blown up and a documentary video of her "House", it establishes a consistent aesthetic and celebrates a sustained achievement. Taken together in their physical presence, these works sustain and complement each other to declare a properly sculptural identity that has not always been so apparent when taken alone.

For Whiteread's materials tend towards the unprepossessing: raw plaster, semi-opaque and delicately-tinted acrylic or rubber, that may look like beeswax, or jelly, or amber; and too often with the individual work, the subtle physical quality of mass and surface, because it is so subtle and delicate, has been overwhelmed by the strength of narrative and anecdote.

What she does is to take a domestic object – bath, basin, room, house – that is invested with the aura of a long, private history of common use. She then makes a cast not of the object as such, but of the space around and within it, that it defines and in turn defines it: she makes the mould itself the object of the sculpture. And this she does with admirable formal improvisation, invention and great finesse, shuttering-in the sides of chairs, pouring plaster between the joists beneath the floor, filling a wardrobe, filling a house.

The cast, of course, has been a staple of sculptural practice for centuries, and the life-cast and death-mask no less a commonplace. Is this work a kind of still-life-cast? The only difference is that in her case, it is not the mould that is broken open, but the object that formed it.

The narrative element remains a problem, but only when it intrudes as too self-conscious a reading of metaphor and image. There is much talk of hidden presences, all those baths taken only to be drained away, all those ghosts, as it were, of bums on seats. "The mattresses and slabs begin a conversation about the difference between resting temporarily and being *At Rest* for good", declares Stuart Morgan in the catalogue. As for "House", he goes on, "A point in time and space, it stopped visitors in their tracks to remind them of larger, deeper, simpler issues ... The plight of the homeless in Britain can never be discussed enough ... Artists, on the other hand, have no vested interest in keeping silent about injustice or poverty ... Whiteread's chosen task is to try to touch the collective consciousness."

All artists try to touch a collective consciousness, but never by such hectoring polemic. An honest if questioning ambiguity is always more appropriate, that leaves any viewer free to approach the work in terms of personal and direct experience. A specific socio-political programme will merely limit and confine the work to propaganda. Happily, there is indeed to Whiteread's work a genuine ambiguity of imaginative meaning and association that is altogether more healthy, and intriguing.

These walls turned inside out, these blank, blind windows, these vanished floors and tables that somehow are still there, tease us into endless efforts of imaginative reconstitution, bouncing between righting and reversal, positive and negative. Always there is the familiar, poignant detail, the rust-stain on the bath, the ghost of a door-knob, the lost step at the top of the stair, the book on the shelf. And there is the space, made solid in all its negative and monumental simplicity, to bring us back to the fact of the work. Though the doubt may remain that Whiteread is a sculptor of the one formal idea and device, we can now see that she has continued positively to test and stretch it, and who knows yet what the limit might be.

The mould as sculpture: Rachel Whiteread's orange bath

Last year she was given the commission for the Holocaust Memorial that is to go up on the Judenplatz in Vienna. It is indeed to be a simple block, monumental in its minimal formality, yet fraught with hints and associations proper to its purpose, though oblique and understated. Again it is to be a room, or rather the space of a room, though no bare room ripe for demolition but a library, the ghost of a library, lined with books.

Rachel Whiteread – Shedding Life: Tate Gallery Liverpool until January 5; supported by the Henry Moore Foundation.

Inexpressibly enlightened: a scene from Robert Lepage's latest work

Alastair Muir

Concerts/Andrew Clark

Acquired taste for Elgar

There's no doubt about it: Elgar's big choral works are an acquired taste. Most people can stomach an occasional performance of *The Dream of Gerontius*, but to programme it with *The Apostles* and *The Kingdom* on three consecutive days, as London's Barbican Centre did last weekend, is asking a lot.

In this secular age, you have to be a devoted admirer of Elgar's music to swallow the devout religiosity of these three oratorios. Next to the mystic Catholic drama of *Gerontius*, which opened the weekend on Friday, the emotional temperature of *The Apostles* and *The Kingdom* is cool. Elgar's patchwork of biblical narrative unfolds at a sedate pace; the mood is more contemplative, the music less involving. The sweeping phrases and proud climaxes may be quintessential Elgar, transposing the characters and events of the early Church onto English country soil, but you cannot mistake the musical padding in between.

So this choral trilogy, played by the Bournemouth Symphony Orchestra under Richard Hickox, revealed Elgar's limitations as much as his genius. Yes, he remains a supreme orchestrator, and yes, the choral apotheoses are worth waiting for; but as the century draws to a close, Elgar is sounding more dated and English than ever.

The performances were not helped by the Barbican's acoustic, which brightens the sound and dampens the climaxes. These works demand to be heard in the Royal Albert Hall or a cathedral setting. But their muted impact also stemmed from a want of charisma in Hickox's conducting.

In one respect, we owe Hickox a debt of gratitude, for without his advocacy, the peaks and byways of the English choral tradition would be heard less frequently, or not at all. Each of the Elgar performances had been scrupulously prepared, with some ideally rapt playing and singing in the quieter passages.

But they did not have a strong cumulative impact, and Hickox's jerky tempi were largely to blame. Instead of following a steady line in the Boult tradition, Hickox favoured an episodic approach, so that the crescendos failed to evolve as a crowning climax to all that had come before. Perhaps Hickox feels the music too deeply for his own good: especially in *The Apostles* and *The Kingdom*, restraint and far-sightedness bring the more profound results.

Although *Gerontius* is the strongest of the three, it received the weakest performance. Hickox invested the prelude with unnecessary rallentandos, raced through "Sanctus fortis" and made light of "Praise to the Holiest". The finale had no sense of stately after-glow. John Aler was a disastrous Gerontius – pinched of voice, devoid of personality. As the Angel, Jean Rigby at least seemed aware of what she was singing.

The soloists were more evenly matched in *The Apostles* and *The Kingdom*. Peter Coleman-Wright improved as the weekend went on, with some beautifully-contained singing in St Peter's great aria. Susan Chilcott was the fragrant Mary, Matthew Best a black-voiced Judas. The two tenors – Stephen Roberts (Christ) and Adrian Thompson (St John) – were suitably contrasted, and the only blot on Linda Finnie's operatic way with Mary Magdalene was her diction.

So it was not a weekend to set the pulse racing or nourish the soul. Unlike previous encounters with these works, I did not come away with a heightened respect for Elgar. It might have been different if *The Apostles* and *The Kingdom* had been played alone. As it was, this was a weekend of moments – the "Alleluias" in *The Apostles*, the incandescent "Proclaim unto them", the wistful violin obbligato in "The sun goeth down". For all the sterling efforts of the Bournemouth orchestra, and the London Symphony and Bournemouth Symphony choruses, these works deserve better.

Theatre/Ian Shuttleworth

Streams that lead to Zen

Robert Lepage's bewitchingly skewed perspective upon both human interaction and its theatrical representation have led to the odd wag dubbing him the first "Martian" theatre director. What this seven-act, eight-hour assemblage in two chunks (see them on successive nights or across a full day at the weekend) proves is that, as in his earlier marathon *The Dragons' Trilogy*, Lepage underpins his thrilling imagistic shenanigans with a profound sympathy for ordinary human events and emotions.

Around half of *The Seven Streams of the River Ota* was seen in the UK two years ago as a work in progress, devised by Lepage and his nine actors. It now emerges as both more calmly contemplative and more diffuse than at first suggested. The latter point is a mixed blessing: on the one hand, the knot which binds every character is no longer as constricting as in the earlier version; on the other, the original vision of the piece as inspecting the 20th century through the odyssey of one woman has been abandoned, and with it a fair degree of focus.

Former protagonist Jana Capek is no longer seen between her ordeal as an 11-year-old in the Theresienstadt concentration camp and her arrival in Hiroshima in 1985, at which time she takes up residency in a Zen monastery, becomingly literally as well as figuratively detached from events down the mountain. This marginalisation of Jana makes a mystery of the entire penultimate act "The Interview": we have no idea why a Canadian television crew should be so interested in her, because her past as an avant-garde artist, casually mentioned here, has been excised from the play.

The Seven Streams... (the title refers to the delta which flows below Hiroshima) is now held together by twin themes. The first, made explicit by the older Jana, is that of finding the "middle way" in one's life – not compromise, but a path which, in Zen fashion, embraces both extremes. In quiet undemonstrative ways, through events which range from the Nazi and atomic holocausts to a tawdry bedroom farce, each character ultimately locates and embraces his or her core identity, whether or not those surrounding may find it palatable: the most horrific scene in the work, and more disturbing still because it is depicted in an unfussy leisurely way, is of an Aids sufferer undergoing medically assisted suicide among friends and relations in the shockingly serene environment of his own flat.

The other recurring image is that of image itself. The play begins with a GI photographer recording damage in Hiroshima in late 1945; in the Nazi camp, young Jana learns how to cheat the eye as a magician's assistant (in a series of scenes which themselves take place amid an infinite regress of mirror-images); scenes and acts are interspersed with a Japanese *bunraku* puppet-play, the interaction of human shadows and back-projected film, and a live video link into a railway station photo-booth on the stage.

Lepage's action unfolds at a slow, though not a tedious pace, and does not force grand resolutions. Although the events depicted span 50 years and three continents, it is the spirit of Japan – and in particular of Zen – which informs the piece. And, as with accession of *za-zen* meditation, the overall experience combines severe cramp and a fundamentally inexpressible enlightenment.

At the Lyttelton Theatre, London SE1, until October 6 (0171 928 2252).

Theatre/Alastair Macaulay

Beware dull camp

At least three of the ingredients of Gloria's production of *Sarrasine* at the Lyric Hammersmith are so good – an exquisitely morbid Balzac short story of mystery and disillusion, and two of Britain's finest actors (Bette Bourne and Sara Kestelman) – that it is both a scandal and a puzzle that the total result should be so poor. It rambles, it repeats itself, it tells its tale badly, and it is one long swim through a vast pool of tepid camp. Since it is directed by the Lyric's artistic director, Neil Bartlett, it raises severe doubts about that theatre's policy. And it is considerably worse than his original Gloria production, which was presented in various fringe venues in 1990.

Balzac's original is a tale within a tale. The inner tale is of Jean Ernest Sarrasine's love for the extraordinary singer La Zambinella; of his discovery that La Zambinella is not a woman but an operatic castrato who is kept by a Cardinal; and of his death at the hands of the Cardinal's henchmen. Now, decades later, La Zambinella is a deathlike spectre who materialises amid the magnificent Parisian entertainments given by a noble but mysterious family. And the tale, as it is told to young Madame de Rochefide, so dismays her that she vows celibacy.

The *Sarrasine* that Neil Bartlett and Nicolas Bloomfield serve up is, however, a protracted exercise in the dullest terrain of camp. Mme de Rochefide (Sara Kestelman), in a Balmain gown, takes us back to her youth in the Paris of 1954, and the operatic gobbets that La Zambinella sings are largely drawn from the mid-1950s repertoire of Maria Callas. As Mme de Rochefide gets drawn into the story, she also becomes Sarrasine. (This is very poorly handled.) And La Zambinella, as in 1990, appears in triplicate: Bette Bourne, François Testory, Beverly Klein. This device adds more confusion than it is worth. Still, the central point is clear: this is a drag show. And I never saw a duller one.

The best moment of the 1990 staging, in which all three Zambinellas took slow, calm, silent bows over the dead body of Sarrasine/Rochefide, has lost its power. The three Zambinellas are given every indulgence by Bartlett. Bourne, admittedly, makes marvellous use of several wonderful opportunities, and his aged Zambinella – foul-mouthed, mercenary, haunted, wicked, funny – is as disturbing as the Countess in Pushkin's *Queen of Spades*. This strange actor is exquisite in many details, and his delivery of the song "Don't you give nothing away" is a show-stopper. But even he is given, or allowed, acres of pointless material.

Klein and Testory have both become more mannered singers since 1990. As in 1990, Bloomfield's score, campily atmospheric, is an uneven and messy mixture of idiom from the early baroque to Wagner's *Tristan*. Kestelman's authority is completely wasted in a badly written and unrewarding role. The show is a mess.

At the Lyric Theatre, Hammersmith, until October 12.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

ICERT
certgebouw Tel:
0-6718345
msterdams Promenade
st: with conductor Thijs
:or, soprano Hilary Reynolds,
Karin Jönsthövel, tenor Bert
r and bass Lars Terray
rm Mozart's Litaniae de
abili altares Sacramento,
and Requiem and Amen,
8.15pm; Sep 26

BARCELONA

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ions that he made in this
i which brought about the
dation of its identity and a
ntial change in its
ire, permitting an easier
register while shortening the time of execution; to Feb 1

■ BERLIN

CONCERT
Deutsche Oper Berlin Tel: 49-30-3438401
● O Malvina!: Dame Gwyneth Jones pays tribute to Malvina Schnorr von Carolsfeld, Richard Wagner's first Isolde. Featuring Klaus Geitel and pianist Thom Christoph; 8pm; Sep 26
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado perform Brahms' Symphony No.2 in D major and Symphony No.4 in E minor; 8pm; Sep 26, 27, 28

■ BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
● Kunst aus Osterreich 1896-1996: exhibition giving an overview of Austrian painting, sculpture and architecture in the 20th century. Included are some 400 paintings, drawings, sculptures, architectural drawings and photographs; from Sep 26 to Nov 15

■ BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078466
● Filharmonisch Orkest: with conductor Sakari Oramo, soprano Elena Ustinova, mezzo-soprano Ildiko Komlosi, bass Joszef Gregor and the Choir of Riga perform works by Tchaikovksy and Taneyev. Part of the Festival van Vlaanderen; 8pm; Sep 26

■ CHICAGO

EXHIBITION
Museum of Contemporary Art Tel: 1-312-280-2660
● Negotiating Rapture: a loan exhibition featuring work by international contemporary artists, including Francis Bacon, Joseph Beuys, Lucio Fontana, Shirazeh Houshiary, Anselm Kiefer, Agnes Martin, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Viola; to Oct 20

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Cécile Licad and Antonio Meneses: the pianist and cellist perform works by R. Schumann, Fauré, Debussy and Chopin; 8pm; Sep 26

OPERA
Opernhaus Tel: 49-221-2218240
● Cosi fan Tutte: by Mozart. Conducted by Thomas Gabrisch and performed by the Oper Köln. Soloists include Dorothee Jansen, Laura Cabiria and Matthias Klink; 7.30pm; Sep 25, 28

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Nikolai Demidenko: the pianist performs works by Chopin, Field and R. Schumann; 8pm; Sep 26

■ LONDON

CONCERT
St. Martin-in-the-Fields Church Tel: 44-171-9300089
● Belmont Ensemble of London: with conductor Peter Gilbert-Dyson perform works by J.S. Bach and Mozart; 7.30pm; Sep 26

OPERA
Barbican Hall Tel: 44-171-6384141
● Werther: by Massenet. Conducted by Kent Nagano and performed by the Orchestra of the Opera National de Lyon. Soloists include Virginie Pochon, Anne Sofie von Otter, Jerry Hadley and Gerard Theruel; 7.30pm; Sep 26
Royal Opera House – Covent Garden Tel: 44-171-2129234
● La Bohème: by Puccini. Conducted by Charles Mackerras and performed by the Royal Opera. Soloists include Amanda Roocroft, Elizabeth Futral, Luis Lima and William Shimell; 7.30pm; Sep 25, 28

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New York Philharmonic: with conductor Kurt Masur and pianist Helen Huang perform works by Mendelssohn and R. Schumann; 8pm; Sep 26, 27 (11am), 28

EXHIBITION
Whitney Museum of American Art Tel: 1-212-570-3600
● Breuer's Whitney: an Anniversary Exhibition in the Lobby Gallery: presented on the occasion of the 30th anniversary of the opening of the Museum's Marcel Breuer building, this exhibition explores the programme, design and reception of Breuer's Whitney; to Dec 8.

■ NICE

CONCERT
Opéra de Nice Tel: 33-92 17 40 00
● Orchestre Philharmonique de Nice: with conductor Christof Perick and violinist Olivier Charlier perform works by Schubert, Bartók, Ravel and Strauss; 8pm; Sep 27, 28 (4pm)

■ PARIS

OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Rigoletto: by Verdi. Conducted by James Conlon and performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Ramon Vargas, Paolo Gavanelli and Andrea Rost; 7.30pm; Sep 25

■ SAN FRANCISCO

EXHIBITION
California Plaza of the Legion of Honor Tel: 1-415-863-3330
● Paris Modern: The Swedish Ballet 1920-1925: this exhibition features drawings, costume and set designs, posters and photographs of this avant-garde dance company based in Paris in the early 1920s. Productions in that time were designed by artists like Léger, Cocteau, Picabia and De Chirico. The leading art movements of the day -cubism, constructivism, dada, African "primitivism" and surrealism were all reflected in the company's 24 ballets; to Sep 29

■ TOKYO

EXHIBITION
Idemitsu Museum of Art Tel: 81-3-32139402
● The Path to Enlightenment: Masterpieces of Buddhist Sculptures from the Musée Guimet: exhibition of 71 objects from the collection of the Musée Guimet in Paris, the French national museum of Asian art. The exhibition traces the development of Buddhist art from its origins in north central India through all of Asia; from Sep 25 to Dec 15

■ VIENNA

OPERA
Wiener Volksoper Tel: 43-1-514442960
● Zar und Zimmermann: by Lortzing. Conducted by Sebastian Weigle and performed by the Wiener Volksoper; 7pm; Sep 25

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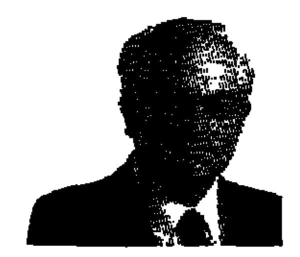
COMMENT & ANALYSIS



Martin Wolf

To seize the moment

If Italy is prepared to continue to work hard to reduce its budget deficit, it could be one of the first participants in the economic and monetary union

Could Italy be among the first participants in the European Union's economic and monetary union? The idea sounds fantastic, given the country's poor record of big deficits and soaring debt. But it is no longer absurd, in view of the recent progress in reducing the deficit. The question is how far the government will build on that achievement. The budget due this week will give a clue to the answer.

It was not exceptionally high spending that made Italy's fiscal position so precarious: for most of the past 15 years the ratio of spending, before interest payments, to gross domestic product (GDP) has been between 40 and 45 per cent, peaking at 45.3 per cent in 1993, a year when France spent 51.7 per cent of GDP and Germany 47 per cent.

Unfortunately, governments failed to raise the revenue needed to finance the spending. The ratio of fiscal receipts to GDP was a mere 33 per cent in 1980, rising to 38 per cent in 1985 and 42 per cent in 1990. The gap was covered by borrowing: between 1980 and 1995 the ratio of the net liabilities of the general government to GDP jumped from 55 per cent to 109 per cent, while the fiscal deficit averaged 10.4 per cent of GDP.

Because Italy's households saved so much, virtually all the borrowing could be done at home. Since Italians were not prepared to pay the required taxes, they had to lend the money instead. When they finally realised that the reluctant taxpayers who would have to service the debt were themselves, they took fright, raising the cost of debt service to penal levels.

Between 1982 and 1991 the real cost of Italy's public borrowing averaged 3.8 per cent (measured by the interest paid on the government's net debt, adjusted for the rise in the GDP deflator). Then between 1992 and 1995, as inflationary default loomed closer, real interest costs jumped to an average of 7.2 per cent.

Such frighteningly high costs of borrowing make it painfully difficult to control public finances. Merely to stabilise the debt ratio, the government must run a primary budget surplus – the difference between revenue and expenditures, less interest – of a little over 5 per cent of GDP. To reduce the fiscal deficit to 3 per cent of GDP, in line with the Maastricht treaty, it must run a primary surplus of more than 7 per cent of GDP.

What Italy has achieved so far, albeit impressive, is inadequate. Particularly striking has been the tough control of public spending: the ratio of non-interest spending to GDP fell from 45.3 per cent of GDP in 1993 to 41.4 per cent in 1995. The primary deficit has also shifted from a peak of 5.2 per cent of GDP in 1985, to rough balance in 1991 and a surplus of 3.4 per cent in 1995. The only members of the Organisation for Economic Co-operation and Development (OECD) with larger primary surpluses than Italy's in 1995 were Belgium and Greece.

Yet exceptional self-indulgence imposes an exceptional penalty. To meet the Maastricht criteria with current costs of borrowing Italy would have to raise its primary budget surplus by about 3½ percentage points above the 1995 level. The government hopes borrowing costs will decline somewhat, from an average nominal cost of funds of 9.6 per cent in 1995. Even so, a primary surplus of 6 per cent of GDP would be needed to reach the Maastricht criterion – a target it hopes to achieve by 1998.

Can this goal be reached? With great difficulty, is the answer. On June's forecasts, the government needed to tighten the fiscal screws by an additional 2¾ percentage points of GDP between 1996 and 1998. This would be difficult enough. But the challenge is being made far harder by slow growth.

Initially, economic growth between 1995 and 1996 was forecast at 3 per cent. By mid-year, the forecast was down to 1.2 per cent. This necessitated a fiscal correction of L16,000bn (£6.7bn), to hold the 1996 deficit at 6 per cent of GDP. Now growth may be as low as ¼ per cent. Worse, this sluggishness will affect 1997 as well.

Consequently, the government will have to work even harder to meet its deficit targets. Its plan was for additional measures amounting to L32,400bn (1.8 per cent of GDP) next year. Some forecasters suggest the needed adjustment is already substantially larger, perhaps 2¼ per cent of GDP.

If the government fails to take the needed measures, it will rule Italy out of Emu, thereby vindicating the criticisms of Mr Umberto Bossi of the separatist Northern League. If it acts, it courts a confrontation with the Refounded Communists (RC) over the politically sensitive issues of health and pension reform – a confrontation that could precipitate its downfall. Yet such reforms will be needed. If they are not in the budget, they will have to be tackled afterwards.

Meeting the fiscal targets is essential, regardless of monetary union. If Italy could lower the budget deficit, while persisting with disinflation, interest rates would fall and growth would be encouraged.

At present Italy pays a premium on its long-term interest rates of 3 percentage points over Germany and France, 1.4 percentage points over the UK and 0.9 percentage points over Spain. On short-term rates, differentials are 5.5 percentage points over Germany, 4.9 percentage points over France, 2.7 percentage points over the UK and 1.5 percentage points over Spain. Yet suppose it were possible to lower borrowing costs to German levels. The primary budget surplus required to meet the Maastricht criteria would be 3½ per cent of GDP, which Italy has already achieved.

Such a reduction in costs of borrowing will be neither immediate nor easy. One reason is the lack of credibility of fiscal policy, another is doubts about the chances of joining Emu, a third is the Bank of Italy's disinflationary policy.

The three are closely linked. The fear of inflationary default creates high risk premia, which are piled upon the gap between actual and expected inflation that always opens during an attempt to reduce inflation. The consequent steep real interest rates makes it difficult for the government to control the deficit and undermines the credibility of its stated desire to enter Emu.

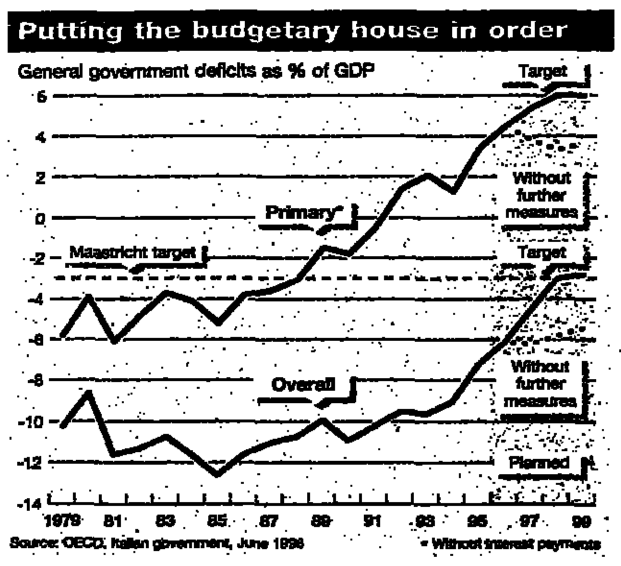
The best escape is to break through to the lower interest rates by decisive fiscal tightening. Emu entry could then provide a big bonus, since it would hasten the pace of the reduction in nominal interest rates.

That is why the next couple of years are so important. If Italy were to meet the Maastricht criteria on inflation and fiscal deficits by 1998, its debt would also be set on a downward course. It could then argue that it met the fiscal criteria for entry in 1999, since its planned deficit would be 3 per cent, which is all that the treaty demands. Even if it were not accepted in 1998, the treaty would allow it to seek membership in 1999 on the basis of its achievements in 1998. Once Emu entry becomes plausible, long-term interest rates should also converge.

Italy has done much, but not enough. The government knows it must do more; but it must do even more than it admits. If it fails, Italy may have lost its best chance to put its fiscal house in order.

Success should also bring a big reward. The Italian economy has laboured under the burdens of soaring government indebtedness and penal interest rates. Yet it has remained the world's fifth or sixth largest. Imagine what Italian business might achieve free of these heavy burdens.

Putting the budgetary house in order



Source: OECD, Italian government, June 1996 · * Without interest payments

Accountancy · David Cairns

A flexible route to global harmony

The acceptance of international accounting standards is gathering pace. The International Accounting Standards Committee (IASC) is striving to get core standards in place for endorsement by the world's leading stock markets by early 1998.

But different interpretations can lead to different results in practice. Such uncertainty – if unchecked – could undermine the trend towards global harmonisation in financial reporting.

Take the issue of whether a business combination is an acquisition or a merger. The recent takeover of Forte, the hotels group, by Granada in the UK is a good example of an acquisition; the merger of Ciba and Sandoz, the two Swiss pharmaceuticals companies, has all the hallmarks of two companies joining an equal arrangement.

In an acquisition, the acquired company's assets and liabilities are restated to fair value and any excess of the purchase price over the aggregate fair values is accounted for as goodwill. Acquisitions create the opportunity for provisions for reorganisations which are charged to goodwill.

In a uniting of interests, the financial statements of the two companies are combined; there is no restatement to fair value and no goodwill is recognised and any provisions for restructuring have to be charged against profits.

In 1994 the Securities and Exchange Commission, the US regulator, decided foreign companies could use International Accounting Standard 22 to decide whether a business combination was an acquisition or a merger. However, the SEC has now decided it will allow mergers if the fair value of both combining entities is approximately 50 per cent of the combined entity.

SEC officials have warned that business combinations which qualify as mergers under UK or Canadian standards may not qualify as such under the international standard as interpreted in the US – even though that standard is based on the UK and Canadian ones.

Different interpretations of international standards undermine efforts to harmonise financial reporting. And they are not the sole prerogative of the US regulator: surveys of the financial statements of Asian and European companies compiled under international standards also reveal interpretations which some would find unacceptable.

Until recently, the IASC was resolute it was the responsibility of member institutes to issue interpretations of standards. However, it has changed its view and will now issue interpretations of its standards.

The task will be a demanding one. The committee will have to deal with inquiries from countries, companies and their auditors, from standard-setting bodies seeking to use its standards as the basis for national accounting requirements, and from regulators enforcing compliance.

Some have suggested the IASC should set up a task-force similar to those in Australia, Canada, the UK and the US. These involve people from accounting firms and companies who are familiar with national accounting requirements and deals which have led to disputes.

> Different interpretations can lead to different results. Such uncertainty could undermine the harmonisation in financial reporting

But the fear is such a body could be dominated by people from the English-speaking countries. It may also exclude those with experience of interpreting standards in different countries.

The IASC could adopt France's system where institutes issue opinions on statutory requirements. Such a system has weaknesses but would be much stronger if the committee approved the output of the institutes. This could lead to the national institutes issuing country guides within the framework of international standards.

Another model is that used in the European Union, where experts from the member states deal with interpreting directives.

While all these approaches have their attractions, I believe a more flexible procedure is needed involving representatives of companies, audit firms, accountancy institutes, standard-setting bodies and securities regulators. International experts should be at the heart of this group, supported by people who understand the transactions and circumstances which have given rise to any particular inquiry.

To ensure consistent application of standards, the IASC must continue to make clear the intentions of standards and approve them only when there is agreement on those intentions. It also needs to ensure its representatives send accurate and consistent messages about the requirements of standards. Such an approach would eliminate the need for securities regulators and others to issue their own interpretations – which would bring confusion where the real aim is harmony.

The author is a former secretary-general of the International Accounting Standards Committee

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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UK ministers united over Hong Kong

From Mr Jeremy Hanley MP.

Sir, Ms Emily Lau (Letters, September 23) makes several unsubstantiated accusations about the government's Hong Kong policy. In particular, she accuses us of "leaving the door open to possible co-operation with" any provisional legislature set up by China.

These claims pay scant regard to what British ministers – the prime minister, the foreign secretary and I – have said and done on Hong Kong issues in recent months.

In March, for example, the prime minister said in an important speech in Hong Kong: "We in Britain will have continuing responsibility to the people of Hong Kong, not just moral responsibility as the former colonial power and as staunch friends of Hong Kong, but a specific responsibility as a signatory to the joint declaration. We shall watch, vigilantly, over the implementation of the treaty, to which Britain and China have solemnly committed themselves ... We shall ensure that others are watching as well – Hong Kong will never have to walk alone."

The foreign secretary has seen the Chinese foreign minister twice this year, and will do so again in New York this week. At each of those meetings our belief that there can be no justification for replacing the properly-elected LegCo (legislative council) with an appointed body has been at the top of the agenda. Mr Rifkind told the House of Commons before the summer recess that establishing a provisional legislature would be "reprehensible and unjustifiable". In Beijing in early September I held talks on Hong Kong with senior Chinese officials, including the foreign minister. I made crystal clear to all of them that we remained implacably opposed on grounds of principle as well as for practical reasons, to any attempt to replace LegCo, and that we had no intention of co-operating with any body appointed in its place. I explained all this to Emily Lau in Hong Kong last week.

The governor and I stand four-square on this, and all other Hong Kong issues.

Jeremy Hanley,
minister of state,
Foreign & Commonwealth Office,
London SW1A 2AH, UK

Cultures to reappraise

From Mr John M. Kirby.

Sir, Daiwa, Barings, DMG – each has focused debate to the cause of ill-considered, even fraudulent trading activity. In their own names or otherwise, each has found conflict between long-bred cultural restraint, propriety and a distinct internal world where long-term investment appears bounded by the expectations of the last or latest bull market. In the latter, where humility is so easily subordinated as a non-verbal function, it is not surprising that ego becomes a common denominator.

Perhaps it is time for senior management to look afresh – and with new significance – to "dress down" Friday.

John M. Kirby,
partner, Stormhouse
Research Group,
Unit 27, 50 Roman Rd,
London E2 0LT, UK

Efficient, less painful inflation route

From Mr Stuart Allen.

Sir, If we are to attain the efficient labour markets that will eventually drive down the natural rate of unemployment to its minimum then a more vigorous discussion of the relationship between low inflation and unemployment than that in your September 16 Economics Notebook is necessary.

The central premise of the arguments against a drive to zero inflation is that it is easier to cut real wages in an inflationary environment because employees are ignorant at present and unlikely to learn in the near future that, for example, a 3 per cent wage increase with 4 per cent inflation is a cut in real wages.

Given the importance of the issue to employees they will probably not take long to figure out that employers which present this as an increase are deceiving them.

If relations with employees based on assumptions of stupidity and attempts to deceive are thus established it is likely that they will soon meet at least as much resistance as nominal wage decreases.

In any event, given the statistical shortcomings of inflation calculations where zero inflation is stated as 2 per cent or 3 per cent, some employers might act on these incorrect price signals and end up conning themselves while at the same time being perceived as conning their employees.

In any event, such a scenario is unnecessary. Robert Chote, and several other writers who have addressed this topic in recent months, miss the point that the advantages posited for zero inflation are equally true of low but stable inflation. It is as easy to interpret price signals in an environment of stable prices as in one of a stable rate of price increase. Perhaps Mr Chote's confusion of stable inflation and stable prices (zero inflation) clouded his judgment on this point.

A stable rate of low inflation would encourage the same maintenance of employment and investment as zero inflation but would avoid the short-term pain of driving inflation down to zero.

A final point: a one-off loss of 5 per cent of national output would not be recouped in five years with a growth rate of 1 per cent. It would take more than one quarter more than this. Not long, perhaps, but a significant period where there is a political imperative.

Stuart Allen,
6 Castle Steps,
Mid-Levels,
Hong Kong

Demand for UK executives sign of international market

From Mr Tim Melville-Ross.

Sir, For Britain to retain its competitiveness, companies must be able to attract and retain the best, which means paying them appropriately for the wealth that they generate on behalf of shareholders and the nation as a whole. It is disingenuous to assert, as Mr Peter Oppenheimer does (Letters, September 19), that there is no international market for high-calibre directors on the grounds that there has not been a large number of high-profile appointments of non-British directors to UK companies.

The fact is that British executives, of all disciplines, are very much in demand abroad, particularly in the US, where the culture of envy that makes us berate achievement and complain when it is rewarded does not exist. The acceptance of English as the international language of business fuels this demand rather than hampering it, as Mr Oppenheimer implies.

Tim Melville-Ross,
director general,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED, UK

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday September 24 1996

Russia's time of troubles

Whatever the precise truth about Mr Boris Yeltsin's state of health, there can be no doubt that the Russian president is a very sick man. His doctors are worried enough to seek to postpone the heart bypass operation which he should have undergone before the end of the month. They obviously have no desire to be accused of precipitating his untimely demise by an ill-judged operation.

The way in which information has leaked out of the Kremlin in piecemeal fashion over the past three months has aggravated speculation about his health. First there were weeks of denials that anything was amiss, as he disappeared from public view, before finally the president himself announced that he was to have an operation. Now his own doctors appear to be divided over the diagnosis.

No wonder the markets are uneasy. The process has produced an alarming reminder of how the former Soviet Union used to be ruled by men like Leonid Brezhnev and Konstantin Chernenko, often more dead than alive. In those bad old days, however, there was a vast bureaucracy which carried on controlling the empire, regardless of the condition of the Communist party leader. Its rule was corrupt and inefficient, but it was at least predictable. Today, that bureaucracy has crumbled, and the country is ruled by competing fiefdoms. It is a profoundly worrying situation for the outside world.

Rival factions

Mr Yeltsin's success as post-Communist head of state has been in keeping a balance between rival factions and potential successors. Most recently that has been between Mr Victor Chernomyrdin, his prime minister, and Mr Alexander Lebed, the former army general and rival presidential candidate, who was co-opted during the presidential election to head the security council.

At the same time, he has had to play off the rival interests of Moscow and the provinces, including the fractious non-Russian parts of the empire. And he has had to eke out the sorely straitened state finances between the competing demands of all the industrial and provincial barons.

None of these players has a broad enough power base to assert undisputed authority in the event of Mr Yeltsin's incapacity or demise. But without his active presence in the Kremlin, their rivalry could degenerate into a destabilising battle for control of the nation's resources – and ultimately, its armed forces.

Problems loom

Problems loom on all sides, not least in the economy. In order to gain Mr Yeltsin's re-election, the government simply failed to collect its normal taxes, especially from its friends in the emerging business elite. Now, therefore, it has no funds to pay for large parts of the public service, including teachers, doctors, and the army.

Russia's virtual admission of defeat in Chechnya has raised the spectre of separatist demands in other parts of the country. The Chechnya deal, negotiated by Mr Lebed, may be popular with Russian mothers and many regular soldiers, but it has alienated the powerful forces in the Interior Ministry.

These conflicting pressures demand a steady and confident hand in the Kremlin. In his present condition, Mr Yeltsin cannot provide it. The most important thing for Russia today is for its fledgling institutions of democracy and government to be reinforced. The correct procedure is for the president to resign if he is permanently incapacitated. Of course there is a risk of a Communist victory if he quits and an election is held three months later. Alternatively, the still unpredictable Mr Lebed might well emerge victorious.

But Mr Yeltsin will do more to preserve the fragile democracy he has created by allowing the system to work according to the rules, rather than hanging on to power which he cannot exercise.

Tory tantrums and Emu

In demanding that Mr Kenneth Clarke, the UK chancellor, should be sacked, some Tory Europhobes have shown themselves to be quite lost in the seas of fantasy.

Mr Clarke will certainly not stretch his neck for political execution: nor is their leader, Mr John Major, the man to send him to the scaffold. The prime minister is painfully aware that, even if he wanted to, he could hardly placate his backbench anti-European rebels by sacking Mr Clarke.

He would also have to sack Mr Michael Heseltine, the deputy prime minister, and Mr John Gummer, the environment secretary. This would be to write himself a ticket to oblivion. The fate of Baroness Thatcher, who was booted out of office after she presided over the resignation of her pro-European deputy, Lord Howe, would not be a comforting precedent.

Lest anyone should forget that episode, Lord Howe and five other Tory grandees last week urged that Britain should not rule out entry into the European Monetary Union. Their letter, to the Independent newspaper, preceded the weekend conference of European finance ministers in Dublin which got Mr Clarke into trouble with his colleagues.

The positive spirit of that meeting further confirmed that whatever Britain thinks about it, a single currency is likely to happen – most probably by the agreed starting date of January 1999. France and Germany have demonstrated in their recent budgets that they are both trying hard to reduce their deficits to 3 per cent of national income – the entry hurdle for Emu.

High political risks

The strength of the continental European countries' political will was shown also in the outline agreement at Dublin for a stability pact – a system intended to enforce fiscal discipline among all Emu members. The high political risks of such a pact only emphasise their belief that full monetary union will be achieved and must be made to work. So Mr Clarke was, in one sense, stating the obvious when he said after the meeting that he believed that up to eight nations would be using the euro by the end of the century.

This increased momentum towards monetary union has belatedly changed the character of the debate among UK industrialists and financial institutions. The broad questions about whether Emu would be a good thing have given way to anxiety as how Britain could make the best of it, whether in or out.

Uncomfortable perch

As a paper by UK bankers pointed out yesterday, the City will soon need to make preparations for markets denominated in euros even if the UK does not sign up for the single currency. Moreover, since the single currency needs much planning and three to four years for implementation, the fence would be uncomfortable to sit upon for very long.

Mr Clarke made a similar point in his bluff manner. It would be "pathetic", he said, for Britain to stay outside just to wait and see how others got on. No doubt he is running up his colours for battle within the party, emboldened perhaps by the grandees' covering fire.

In one thing he is surely right: a decision of great moment for Britain must be made next year. Careful debate is required, not wild calls for the resignation of colleagues or cheap political invective.

It is too much to hope that either of the main parties will achieve a clear, well-argued policy on Emu before the next election. The Tories' raucous Europhobes are matched by some 50 Labour MPs also determined to resist a single currency.

But in the interest of its own political survival the Tory leadership must find a way to neutralise some of the sentimental jingoism, foolery and backstabbing which now pass for argument. This is an issue which is economically complex, politically difficult, but vitally important for the future of Britain.

Robert Reich argues that America must find a way to balance concerns about costs with a desire to reduce unemployment

Casualties of the inflation war

The rate of unemployment in the US, at 5.1 per cent of the civilian labour force seeking jobs, is lower than it has been in seven years. The wages of America's production and non-supervisory workers are beginning to rise. Do these data suggest imminent danger of spiralling price inflation? No. Can we do even better? Absolutely.

Until recently it was something of an article of faith among economic researchers that the so-called "natural" rate of unemployment in the US, or "Nairu" – the rate under which unemployment could not fall without causing inflation to accelerate – was 6 per cent. For the past two years, however, the rate of unemployment has remained under 6 per cent, while the rate of inflation has remained below 3 per cent. The so-called misery index, which combines the inflation and unemployment rates, is almost at a 30-year low.

The assumption behind the 6 per cent figure derives from a decade ago when inflation appeared to accelerate as unemployment dropped below this level. But the economy of the 1990s is very different from the economy of the 1980s.

Price competition in most industries is far more intense – due partly to the ever-growing consequences of deregulation and global competition. But technological advances have also allowed small- and medium-sized companies to enter markets previously well-guarded by larger and more established businesses.

The old economies of scale which gave larger companies an advantage and allowed them a degree of discretion in setting prices are being undermined by computer technologies that allow smaller companies to target specific market niches. You can see the effects in almost every industry: banking, insurance, telecommunications, clothing, entertainment, appliances, transport.

Entry barriers are falling, product cycles are shortening, large companies are scrambling to maintain market share. This revolutionary change has made all producers more reluctant to raise prices even in the face of rising costs, and more aggressive about holding costs down.

A second feature of the economy of the 1990s is that the "knowledge" content of goods and services continues to climb as a percentage of total cost, relative to materials and energy. More value is added through design, styling, manufacturing-engineering, process-engineering, advertising, marketing, servicing, selling, consulting and advising. As a result of this continuing shift in the value-added composition of goods and services, increases in the prices of materials or energy pose less of an inflationary threat than before.

There is a third important distinction, which also reduces the risk that wage increases may push up prices. For the first time in recent memory, the cost of employer-provided healthcare is growing more slowly than inflation. This is a dramatic turnround. Between June 1994 and June 1995, employer healthcare costs grew 5 per cent in nominal terms. For the 12 months to June 1996, the nominal increase was only one-tenth of one per cent.

Why are healthcare costs dropping so quickly in real terms? Because employers are rapidly switching from arrangements where fees are paid for each treatment to pre-paid care where all healthcare needs are managed for a fixed payment. They are also shifting more of the costs of employee healthcare to employees themselves, asking them to make a contribution to treatment costs and premiums – or reducing the availability of employer-provided healthcare altogether.

The percentage of US workers and their families covered under employer-sponsored health plans dropped from 77.5 per cent in 1990 to 73.9 per cent last year. The net effect is that while real wages are rising, the overall rise in compensation remains modest – only 2.9 per cent from June 1995 to June 1996.

These three structural changes, combined with modest productivity growth and healthy profits, are allowing companies to provide wage increases without igniting inflation. For the year to August 1996, the US producer price index rose only 3 per cent, and the consumer price index only 2.9 per cent.

How low can unemployment go? What is the real "natural" rate? No one knows precisely. But whatever it is, we need not assume it is fixed at that level. It can be lowered further.

Even now, when many employers are having trouble finding the employees they need, 6.8m Americans who want work cannot find jobs. And 4.4m are working part-time but would rather be working full-time.

These prospective workers are unable to respond to the tightening demand because they lack education and skills, or they have the wrong skills, or they do not know what skills are required, or they live in the wrong place, or they are assumed to be too old. For any or all of these reasons, they are walled off from a job market that is heating up – a job market that would be less prone to overheat if more of these people were ready to join it.

The best way to reduce the "natural" rate of unemployment is to ease the transition of these prospective workers into the workforce. This has been a central goal of this administration's labour policy.

For example, one of the most difficult transitions is from school to work for the majority of young Americans who do not earn college degrees. School-to-work apprenticeships – there are now almost a half million in the US – are pathways towards careers as laboratory assistants, sales and service technicians, manufacturing specialists and other types of technical workers who are in ever greater demand.

Another perilous transition is from a job in an industry where the market is shrinking to a new job requiring higher or different skills. In the old economy of large and stable industries, job security was the rule; in the new economy it is the exception.

How to smooth the inevitable job changes? One way is to convert the unemployment insurance system. It was designed to provide temporary income during cyclical layoffs until the old jobs returned when the economy picked up. It should become a re-employment system, giving people vouchers to get the information and skills they need to shift from old work to new.

A better-educated and better-trained workforce is also capable of generating a higher rate of productivity – which itself permits faster growth and higher wages without risking accelerating inflation. There should no longer be any doubt about the relationship between higher skills and higher productivity.

Economists Ms Lisa Lynch of the Fletcher School of Law and Diplomacy at Tufts University and Ms Sandra Black of Harvard University found that raising the average educational level of a company's workers by one year boosts business productivity about 10 per cent. In a separate study, economist Ms Ann Bartel of Columbia University found that companies which introduced formal employee training programmes saw their productivity in the late 1980s rise 19 per cent more than in companies which did not train their workers.

With these returns, businesses could be expected to invest substantial sums upgrading the skills of their employees. They are, but according to the American Society for Training and Development, business spending on employee training has not kept pace with the increase in the workforce. Adjusted for inflation, on a per-employee basis, workers are receiving less employer-provided training today than they were a dozen years ago.

This may account, to some extent, for the US economy's paradoxically low productivity gains despite all the new capital investments and restructurings of recent years – a gain of only 0.8 per cent from the second quarter of 1995 to the second quarter of 1996. A knowledge-based economy requires above all a workforce capable of using knowledge.

Even after having exhausted every means for reducing the "natural" rate of unemployment, society is still left with the question of how to balance concerns about containing inflation with the desire to reduce unemployment. In making this tradeoff, it is important to remember that this nation has committed itself to moving more than 4m welfare recipients off the welfare rolls and into work and in future to employ millions more who otherwise would be on welfare.

These people – many of them with limited education and job skills, some encumbered by alcohol or drug problems, often living in impoverished areas with few jobs – are likely to be at the end of the job queue. Any decision about how vigorously to wage war on inflation must consider those who are most likely to be the war's first casualties.

At the very least, we should demand a high burden of proof from those who argue that zero inflation is an appropriate policy goal. Research from Mr George Akerlof, Mr William Dickens and Mr George Perry of the Brookings Institution, the Washington think-tank, suggests the unemployment rate would be as much as 2.6 percentage points higher if inflation were brought down to zero. On the basis of today's figures, that would mean 3m more Americans unemployed because they were unwittingly drafted into the fight against inflation.

While we must continue to fight inflation, casualties on this scale are not worth the war.

The author is US secretary for labor

• OBSERVER •

Overtaking lane at Ford

■ Ever since Henry Ford II clashed with an ambitious young executive named Lee Iacocca, the Ford family has had a reputation for handling its outside managers badly. Now it appears that Alex Trotman, the company's Scottish-born chairman, is himself experiencing the difficulties of working for the world's most [illegible] family.

[illegible] world HQ in Dearborn [illegible] that William Clay Ford [illegible], great-grandson of Henry [illegible] and nephew of Henry II, has been pencilled in to succeed Trotman. That would make him the first scion of the family to head the company since the younger Henry, who retired in 1980. Given that Bill is only [illegible], it could also usher in a corporate reign long enough to rival that of the two Henrys.

Where, though, does this leave Trotman, who is still two years short of retirement age?

Depending on which strand of rumour you listen to, he will stay two years past retirement, go on time or leave early.

In an unusual statement, the chairman says: "It is too early for the board to decide on my successor", that "no decisions have been made" and that "none of the candidates has been ruled out". That last comment seems designed as a gesture to Ed Hagenlocker, the company's president. According to some, he will lose out to the younger Jack Nasser for the title of chief executive under Bill Jnr.

In the midst of a tumultuous period for the company, the last thing Trotman needs is for his own position to be weakened. But whatever he says, he cannot put the rumour production line into reverse.

Father's daughter

■ Is the glass ceiling in Greek politics, already slightly cracked, about to shatter?

Aleka Paparriga, the dour but determined leader of Greece's still-Stalinist communists, held on to her job by increasing her party's haul of seats from 10 to 11 at Sunday's general election.

Meanwhile, Dora Bakoyannis, daughter of a conservative prime minister, headed the poll for New Democracy in the Athens "A" constituency – her first attempt to get elected in the capital.

Bakoyannis entered politics after her husband Pavlos was gunned down by Greek terrorists in 1989. She took over his seat in the leftwing stronghold of Evritania in central Greece, winning by a handful of votes after ND made generous donations to communists with large families.

As culture minister in her father's government, she won the grudging approval of Greece's archaeologists – also mostly leftwingers – by extracting more money for their excavations from the proceeds of the state lottery.

She is now a favoured contender to succeed Miltiades Evert, who resigned the party leadership yesterday after ND lost yet another election to the socialists. She is favoured not least by her father Constantine Mitsotakis, who is busily drumming up support for her campaign among fellow-backbenchers.

Speaker on top

■ Forget the fuss as to when Finland might join the ERM. What has really set Finnish tongues wagging is a startling new book by the formidable speaker of the parliament, Riitta Uosukainen.

"Fluttering Flame" – for that is the name of the collection of imaginary letters – takes a swipe at a number of the veteran conservative's rival politicians. But what really has the entire population agog is a blushingly explicit "letter" extolling the erotic heights achieved with her husband, a senior military officer, during a weekend together earlier this year.

Readers of an august newspaper such as this need only know that it involved "a fabulous time" shared while "sloshing about" on a waterbed.

Needless to say, the book has already sold out its first 17,000 print run and has put an unrepentant Uosukainen in the spotlight – which is just where she will want to be if, as many suspect, she intends to run as a candidate in the next presidential election.

The country's more staid politicians complain that the speaker has demeaned her high office, which is second only to the presidency in the constitutional hierarchy. But her husband, at least, seems unflustered. "The waterbed is good," he says. "Absolutely. It is good for my back."

Not with a bang

■ The authorities in Northern Ireland clearly feel life has taken a turn for the better. Fireworks – banned at the outbreak of the Troubles in the early 1970s – are back on sale in the province. The security forces are not worried about a few harmless rockets and roman candles, but say bangers will remain on the illegal list. It will also be an offence to use any exploding devices, even those of a purely decorative nature, between 11pm and 7am.

Financial Times

100 years ago

Resurrection of a Goldfield
The public will doubtless before long be asked to turn its attention to gold mining in British Columbia, and undoubtedly there is much to be said for the revival of the gold mining industry in this portion of the British Empire. So far there is little actual interest on this side in the new ventures, but the fact that English syndicates are already at work on the fields points to the occurrence of a "boom" at some future period not very far distant. From that day in the year 1851 when an Indian woman strolling on the beach at Gold Harbour on the west coast of the Queen Charlotte Islands chanced to pick up a nugget, the colony has been recognised as a producer.

50 years ago

Diamonds in Tanganyika
Dar Es Salaam:- "Practically inexhaustible" deposits of diamond bearing kimberlite have now, it is claimed, been proved to exist on Dr. J.T. Williamson's diamond mine at Shinyanga, Tanganyika, and it is believed by an authoritative source that the diamond pipe on the Williamson mine is eight times larger than any other pipe in the world.

FINANCIAL TIMES
Tuesday September 24 1996

Japanese vessels patrol Asian islands in dispute

By William Dawkins in Tokyo

The dispute between Japan and its Chinese-speaking neighbours over a group of islands in the East China Sea intensified yesterday when Tokyo sent 17 coastguard and police vessels to the area to deter intruders.

The Japanese vessels sailed to the uninhabited islands, called Senkaku in Japanese or Diaoyu in Chinese, to drive away five boats carrying protesters from Taiwan and Hong Kong, according to a Taiwanese government radio report.

After a tense two-hour encounter, in which the protesters called on the Japanese to stay off what they claimed was Chinese territory, the Japanese demanded that they leave. The islands, held by Japan since 1972, are also claimed by China and Taiwan.

Fresh confrontation is likely, with the expected arrival tomorrow of a boat carrying more protesters from Hong Kong. They have pledged to destroy a makeshift lighthouse, repaired last month by a rightwing Japanese youth group, and erect a Chinese flag in its place.

The repair of the lighthouse, damaged by a typhoon, was viewed by expatriate Chinese in Asia, and to a lesser extent by China itself, as an assertion of Japanese nationalism.

Yesterday's incident is the most dramatic of the several anti-Japanese outbursts to have come out of Hong Kong and Taiwan over the past month, triggered by the controversial visit to the islands by the Japan Youth Federation, an ultra-nationalist group.

The issue has created a dilemma for the Tokyo government. It is reluctant to take action against nationalists, however embarrassing their actions, unless they break Japanese law. But it has come under growing criticism from China – an important and sometimes feared partner – for failing to control the youth federation.

Japan faces a general election next month, in which the appeal of Mr Ryutaro Hashimoto, prime minister, to the rightwing will play a part. Mr Hashimoto's visit last month to a shrine to Japanese war dead won praise from a nationalist minority but was, to some Asian neighbours, controversial.

Neither Beijing nor Tokyo appears to want to let the controversy disrupt their extensive economic relations. Japan recently allocated $5.8bn of soft government loans to China, to be paid over the next three years.

Fischler attacks UK for scrapping cattle cull deal

By Caroline Southey in Killarney

The British government was yesterday accused of blocking European Union efforts to restore confidence in the beef market by abandoning the terms of a deal struck with its EU partners over BSE.

The attack by Mr Franz Fischler, European commissioner for agriculture, came as farm ministers met in Killarney in the Irish Republic to thrash out a package to rescue the beef sector from the effects of falling consumption and prices. The ministers are expected to finalise the package today, including the use of Ecu500m ($635m) funds from this year's farm budget.

Mr Fischler said BSE or mad cow disease was the "biggest crisis the EU had ever had". Britain's decision to ditch plans to cull 125,000 cattle was a "clear break" with the agreement reached in Florence in June for dealing with BSE, and every step away from the accord was "a step away from restoring confidence".

The key to ending the impasse was "all in the hands of the British", he added.

Mr Douglas Hogg, the British farm minister, said he hoped "there are steps we can all agree on which allow us to move forward on lifting the ban, for example, for certified herds".

Mr Jozias van Aartsen, the Dutch farm minister, stressed the ministers wanted to do everything to avoid the BSE affair dominating next week's summit of EU heads of government in Dublin. The summit has been called by the Irish presidency in an effort to breath new life into the intergovernmental conference on the future of the union.

The rescue package for the beef market is expected to include paying farmers Ecu500m out of an expected surplus of Ecu1.2bn from this year's budget. The money would normally have been returned to member states if unspent by October 15.

Mr Fischler said that urgent agreement was also necessary on measures to remove surplus beef from the market, including raising the ceiling for buying surplus stocks from 400,000 to 720,000 tonnes.

Terrorist suspect dies as UK raids net explosives

By Clay Harris and John Kampfner in London

A suspected IRA terrorist was shot dead and five others arrested yesterday as British police staged early morning raids on several premises in the London area.

The police also seized 10 tonnes of home-made explosives, up to 10 times as much as was used in the device that devastated the city centre of Manchester, north-west England, in June.

Sir Paul Condon, London's police commissioner, said the discovery of explosives, arms, other bomb-making equipment and two lorries trucks had "frustrated an attempt by the Provisional IRA to carry out significant and imminent attacks with the probability of grave loss of life, serious damage and disruption to mainland cities".

Mr David Veness, assistant commissioner, said: "We can't exclude the possibility it may have occurred today or tomorrow." A significant amount of the ready-mixed explosive "had been placed in boxes and, with minor extra work, was ready for use," he said.

Sir Paul said the material seized pointed to large truck bombs on scale of those in Manchester and at London's Canary Wharf office building complex earlier this year.

The raids netted booby-traps intended to be placed under cars, two pounds of Semtex explosive, three Kalashnikov rifles, two handguns, ammunition, and bomb-making equipment such as detonators, fuses and timing mechanisms.

"The fact that we have found them in London gives you an indication of possible targets," Sir Paul said. Police said there was no list or "concrete indication" of targets.

The British government said the discovery made a mockery of suggestions that the IRA was planning anything more than a tactical ceasefire.

The UK and Irish governments have demanded a repeat of the IRA's original ceasefire declaration of August 1994, which lasted until it resumed its bombing campaign in London last February, as a precondition for participation of Sinn Féin, its political wing, in all-party peace talks.

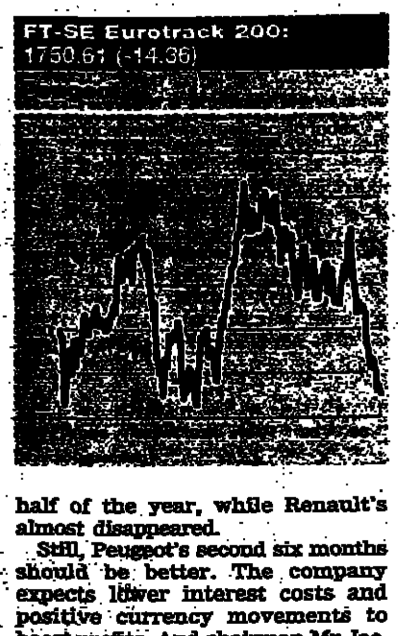
The discovery was made as Britain's three leading political parties are about to hold their annual conferences, and officials said security for senior politicians was immediately stepped up.

An IRA bomb exploded at the 1984 Conservative party conference, killing two people and injuring 30.

End to lull planned, Page 9

THE LEX COLUMN

Sense and stability



Does Europe really need a fiscal "stability pact" to keep monetary union on the rails? After all, monetary union in the US seems to have no difficulty surviving New York's occasional teeterings on the edge of bankruptcy.

The comparison, of course, is not exact. A country's ballooning budget deficit would pose greater inflationary risks for the euro than any state or city deficit in the US, simply because of its size. Moreover, there is also a bigger risk in Europe that high-spending countries could press the central bank to inflate them out of a deficit problem.

Even so, worries that Emu will encourage government profligacy look overdone. True, the differentials demanded of high-spending governments in higher bond yields will be less demanding, because investors will no longer have to worry about devaluations. On the other hand, governments will have to repay borrowings in a hard currency. Printing money will no longer be an escape route.

Moreover, even if there is a case for the planned pact, it will also have heavy costs. For most European countries, complying over a long period with fiscal targets stringent enough to satisfy Germany would be painful indeed. And since the relationship between budget deficits and inflation is obscure and unpredictable, the pain of an arbitrary hair-shirted regime would often be impossible to justify.

The solution, if the pact is not to impose intolerable strain, is to fudge it. There is a case for some fiscal control to soothe German anxieties and act as a backstop if a government seriously lets rip. But some of the rigid ideas would be unnecessary and counter-productive.

Peugeot

French carmakers must think life is deeply unfair. Their government's incentive scheme has made France one of the brighter spots in a sluggish European car market: French car sales are up 7 per cent in the eight months to August. But almost all the benefit has gone to foreigners, principally Fiat, General Motors and Volkswagen, who have the popular small cars to which the scheme is geared. Peugeot and Renault have responded with aggressive marketing and lower prices, but only ended up losing margin as well as market share. As a result, Peugeot's profits halved in the first half of the year, while Renault's almost disappeared.

Still, Peugeot's second six months should be better. The company expects lower interest costs and positive currency movements to boost profits. And chairman Mr Jacques Calvet expressed hopes yesterday that the government may unexpectedly launch yet another round of incentives to sustain momentum. Peugeot is also continuing to reduce both costs and capital spending, without compromising its development programme. Unlike Renault, which bunched its new model launches around its 1994 flotation and is now facing a gap, Peugeot is bringing out a new model every 11 months on average. Despite that, it expects to be debt-free by the end of 1997. With nearly 90 per cent of its sales in Europe, Peugeot could be the quintessential European recovery stock. But investors should wait for some positive news.

Inchcape

Inchcape produced a compelling justification yesterday for the recent change of its top management and strategic direction. First-half profits before exceptional items fell only 1 per cent. Still, without the cost savings from last year's restructuring, the decline would have been 21 per cent. Moreover, the volatility of its business portfolio has increased. A dramatic recovery in Inchcape's core motor distribution business was more than offset by problems elsewhere. Management has far to go before realising its laudable aim of greater focus and dependable earnings streams.

It could be a painful transition. Restructuring is ahead of schedule, probably adding £36m ($56m) to this year's profits. But growth will be harder to find thereafter. The demerger of Inchcape's Bain Hogg insurance arm and a likely £390m sale of its testing business will increase focus and reduce debt – but at the expense of earnings. Indeed, testing has been Inchcape's sole dependable growth business. Shareholders will only benefit from the disposal if management achieves higher returns from reinvestment, probably in bottling plants – and that will take time.

At least a weaker yen will help car sales, as will a stronger product pipeline from Toyota, for which Inchcape is a leading distributor. In its current form, Inchcape could achieve profits of £190m next year. But after disposals and demergers that still leaves the shares at a double-digit premium to the market; that looks too high.

Capital gains tax

It is excellent news that the Confederation of British Industry is tiptoeing back from its previous enthusiasm for a two-tier capital gains tax. Let us hope the opposition Labour party follows suit.

The apparently benevolent idea – to encourage "long-termism" by charging a lower rate where investments have been held for a longer period – is in fact badly flawed. Even at the level of high theory, a tax reform that would make markets less liquid and less efficient does not seem much of a step forward. In practice, "long-termism" here amounts to encouraging unwanted assets to be held simply for tax reasons, a pretty doubtful objective.

This may not worry Labour. But two more pragmatic points should. First, if Labour sees the scheme as a means of encouraging the financial community to take a longer-term view, the party is barking up the wrong tree. The fact is that the City of London's most powerful shareholders, pension funds, do not pay capital gains tax. To them, changes to the tax would be an irrelevance. More pragmatically, the National Association of Pension Funds is doubtless right that a two-tier tax would be a tax avoider's paradise. As a party pledged to close loopholes for fat cats, Labour would be wise to approach capital gains tax wheezes with trepidation.

Additional Lex comment on Berisford, Page 20

Yeltsin

Continued from Page 1

televised announcement earlier this month that he requires heart surgery.

But Communist leaders yesterday said the public relations offensive had also revealed that during the country's crucial presidential face-off this summer Mr Yeltsin and his entourage had deceived Russian voters.

"It amounts to falsification. The elections were not fair," Mr Selezniev said, following the assertions of the president's doctors that Mr Yeltsin probably had a heart attack between the first and second rounds of the elections. At the time, senior officials attributed the president's sudden disappearance to a cold or a sore throat.

French unions call strike

Continued from Page 1

social security reforms and an industrial dispute on the railways for discontent to harden into all-out stoppages in November and December. The government believes civil servants alone will not spark a similar crisis this autumn.

The Social Security Commission, a non-partisan body, yesterday forecast the country's welfare deficit at FFr51.5bn ($10.1bn) this year and, in the absence of corrective measures, at FFr47.2bn next year, compared with the government's original targets of a FFr17bn deficit this year and a FFr11bn surplus next year.

Mr Jacques Barrot, social affairs minister, responded by pledging to cut next year's welfare gap to FFr29.7bn, with measures detailed in last week's budget, except for yesterday's announcement that tax on alcohol would rise 17 per cent in 1997.

Proceeds from this increase, and a tax hike on tobacco, will be used to stem the welfare deficit. The government will also collect FFr3bn from Electricité de France following a recent court ruling against the public utility.

Mr Jean Arthuis, the finance minister, insisted the welfare deficit would not torpedo the government's claim to be able to meet the Maastricht target of a 3 per cent overall deficit next year. But he conceded that it was only through structural reforms, like those in welfare, that France could hope to stay in monetary union once it joined.

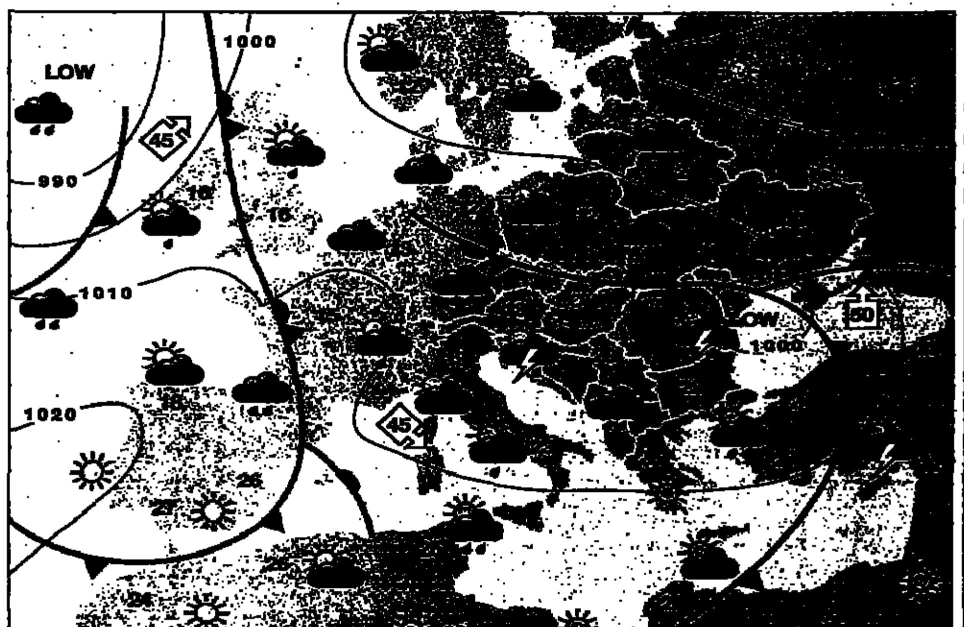
FT WEATHER GUIDE

Europe today

The British Isles and France will be cloudy with rain. Ireland will have rain later in the day. The Benelux will be cloudy, with some drizzle in Belgium. The Czech Republic, Slovakia and Hungary will also be rainy. Eastern France and Switzerland will have sunny spells. Northern Spain will be showery, while southern Spain will be mostly sunny. Italy will have showers. Greece will be mainly sunny and dry. Turkey will have showers and some thunder.

Five-day forecast

Most of western Europe will be unsettled with strong westerly winds, especially across Ireland, England and France. Turkey and Greece will be rainy.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	sun 27	Caracas	cloudy 32	Faro	sun 25	Madrid	sun 23	Rangoon	shower 31
		Belfast	shower 16	Cardiff	shower 17	Frankfurt	rain 13	Majorca	fair 24	Reykjavik	rain 11
Abu Dhabi	sun 36	Belgrade	shower 20	Casablanca	fair 24	Geneva	shower 13	Malta	sun 24	Rio	fair 27
Accra	fair 28	Berlin	rain 12	Chicago	fair 21	Gibraltar	sun 23	Manchester	shower 16	Rome	shower 22
Algiers	cloudy 24	Bermuda	thund 28	Cologne	rain 13	Glasgow	rain 16	Manila	fair 31	S. Frsco	sun 23
Amsterdam	cloudy 14	Bogota	fair 19	Dakar	cloudy 31	Hamburg	cloudy 14	Melbourne	shower 17	Seoul	sun 24
Athens	sun 27	Bombay	shower 32	Dallas	thund 31	Helsinki	cloudy 12	Mexico City	thund 26	Singapore	fair 32
Atlanta	fair 32	Brussels	shower 13	Delhi	sun 35	Hong Kong	rain 28	Miami	fair 31	Stockholm	fair 14
B. Aires	fair 16	Budapest	shower 14	Dubai	sun 38	Honolulu	fair 32	Milan	fair 17	Strasbourg	shower 12
B.ham	shower 17	C.hagen	cloudy 12	Dublin	shower 17	Istanbul	shower 24	Montreal	cloudy 15	Sydney	sun 24
Bangkok	thund 34	Cairo	sun 35	Dubrovnik	thund 19	Jakarta	fair 32	Moscow	sun 9	Tangier	fair 24
Barcelona	fair 22	Cape Town	shower 15	Edinburgh	shower 16	Jersey	shower 15	Munich	rain 9	Tel Aviv	sun 34
						Karachi	sun 34	Nairobi	fair 25	Tokyo	sun 24
						Kuwait	sun 37	Naples	shower 20	Toronto	shower 18
						L. Angeles	sun 25	Nassau	thund 31	Vancouver	fair 17
						Las Palmas	fair 27	New York	fair 20	Venice	shower 18
						Lima	cloudy 19	Nice	fair 20	Vienna	rain 12
						Lisbon	sun 22	Nicosia	sun 31	Warsaw	shower 12
						London	fair 17	Oslo	cloudy 12	Washington	fair 23
						Lux.bourg	shower 12	Paris	fair 15	Wellington	shower 15
						Lyon	shower 15	Perth	fair 18	Winnipeg	fair 13
						Madeira	fair 25	Prague	rain 9	Zurich	rain 10